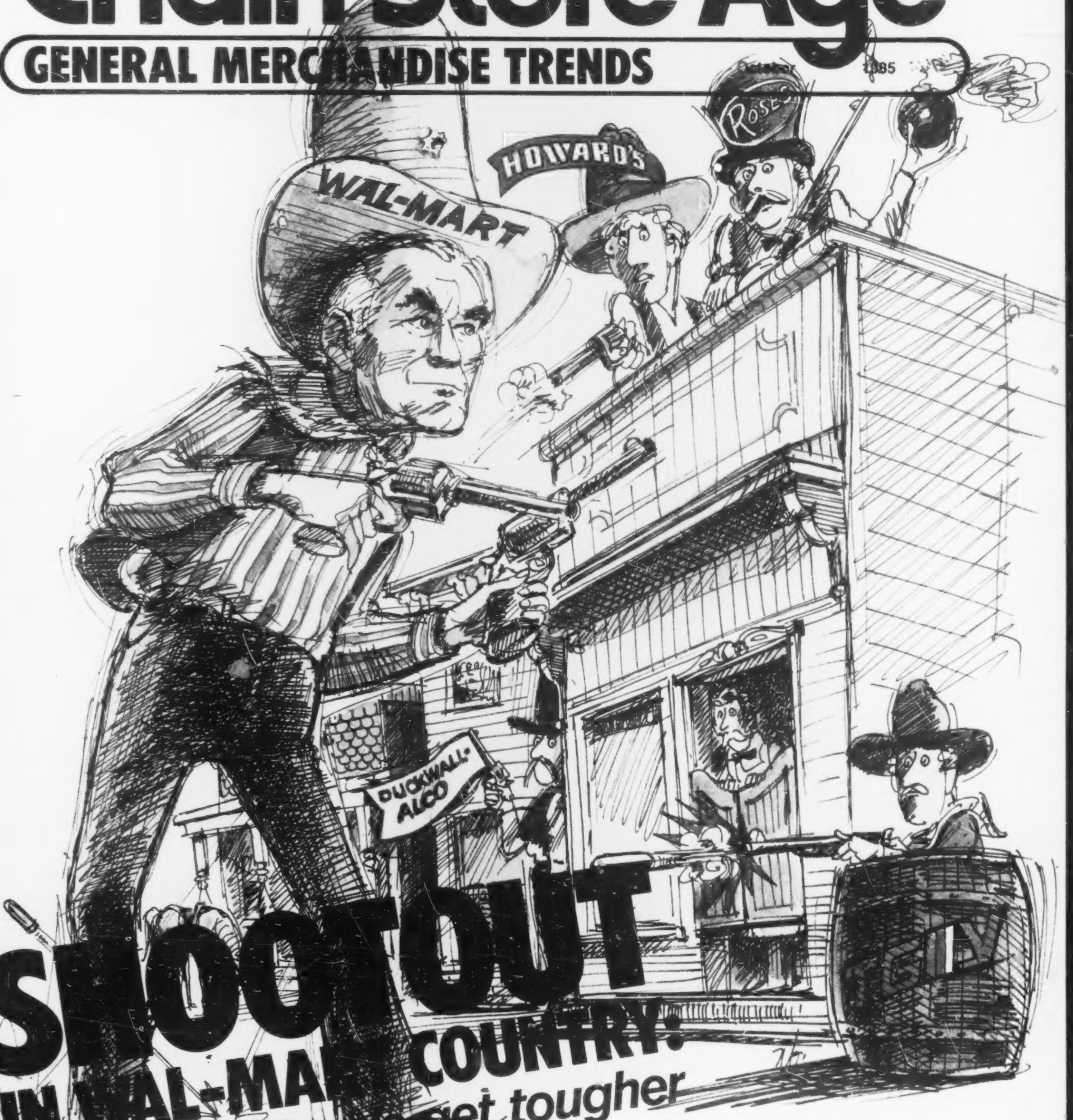
Montgomery Ward's prototype

Is 8mm the future in home video?

Chain Store Age

GENERAL MERCHANDISE TRENDS

October 1985


WAL-MART
HOWARD'S
ROSES
DUCKWALL-ALCO

SHOOTOUT IN WAL-MART COUNTRY:

Sunbelt regionals get tougher

TWO DOLLARS PER ISSUE

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October 1985

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lion with the new look they have "all bought the farm."

The gutsy move—a make or break chance for Ward—is welcomed by the financial community. "I think they've hit it right on the button," says Mesirow & Co. analyst John Landschulz. He also applauds Ward's painful, albeit necessary, shuttering of its unprofitable catalog business (it lost $1.3 billion last year).

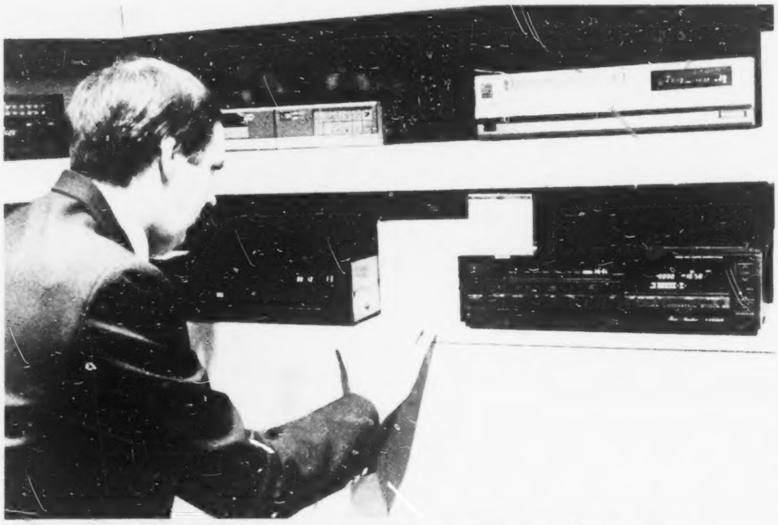
Ironically, Brennan thinks the numbing closure of the 113-year-old catalog business will actually help Ward past its toughest hurdle—keeping the look fresh. Before, buyers bought for both the catalog and the retail stores (35% of the merchandise overlapped) and that kept the stores from being up to date. With catalog abolished, Brennan says, buyers should be able to stay trendy.

Will a new fashionable look be enough to draw customers to Ward? "If you are a specialist and you have compelling merchandise, you can get customers into your store," insists Brennan.

"And as far as our locations being bad," he chides, "you wouldn't believe how may retailers came calling when they thought we were for sale 12 weeks ago—they can't be that bad." ☐

Some retailers and vendors think the country's patriotic revival will prompt consumers to buy American. "Made in the USA" may become a new rallying cry.

Will new patriotism reshape market?



***U.S.-made products** often cannot compete with foreign goods' low prices.*

One of this Christmas' most popular greeting cards promises to be a number from Joli Greeting Card Co. which offers a wry comment on the resurgence of patriotism in America.

"I wish you a typical American Christmas," reads the face of the card, which is decorated with a red, white and blue candy cane. On the inside the card continues, "With your tree coming from Canada, the ornaments from Japan, the lights from Hong Kong, and the idea from Bethlehem."

That simple message handily expresses what has become one of the major ironies of the business of marketing and merchandising consumer products in this country. If patriotism can be measured by the fervor with which we cheer our Olympic athletes, or the success of movies about rescuing POWs in Southeast Asia, then Americans are certainly imbued with a renewed sense of pride in this country.

At the same time, our appetite for products made in other countries grows, unabated, even in the face of almost daily stories about plant closings and jobs lost here in the States. To the affluent prestige now means a car by Mercedes Benz or cutlery by Henckel. To the budget-conscious, saving means a dress shirt tailored in the Orient, a microwave oven built in the Orient, a 35mm camera imported from . . . well, the Orient.

Quite frankly, Americans do not seem to be putting their money where their patriotism is.

Buying American: Some retailers and manufacturers, however, think that may be about to change. They point to studies which suggest Americans might buy more domestic products if they were prodded to do so. They add that the new sense of patriotism offers opportunities to create excitement in stores with promotions tied more strongly than in the recent past to American symbols and holidays.

But the road back for some American products will not be easy. No amount of flag waving, according to extensive consumer research done for *Chain Store Age*, will help products which can't compete on price or quality with foreign goods. A recent *CSA*/Leo J. Shapiro & Associates study, for instance, found that consumers ranked nine other factors, including workmanship, price, and brand name ahead of country of origin when deciding to buy a product. What was most telling about the research was the finding that the most coveted consumers—the young and those earning better than $40,000 a year—were least interested in where a product is made. Of those earning more than $40,000, 61% rated country of origin of very low im-

Consumers rate country of origin least important in apparel

	Importance of country of origin		
	(high)	(middle)	(low)
Adult clothing/shoes	4.7%	37.9%	57.4%
Home electronics/camera	6.5	39.1	54.4
Housewares	8.0	36.3	55.7
Furniture	2.7	37.3	60.0
Major appliances	7.8	39.2	53.0
Hardware/lawn & garden	15.4	43.6	41.0
Children's clothing	5.0	40.0	55.0
Home textiles*	—	33.3	66.7
Sporting goods/recreation*	33.3	33.3	33.3
Other	3.7	51.9	44.4

*Small base
Source: *Chain Store Age*/Leo J. Shapiro & Associates

***Since competition is** so fierce, most phones are produced overseas.*

portance in the buying decision, while another 30% ranked it of just some importance. Of those under 30, 65% rated country of origin of small importance.

Even boosters of American products do not dispute such findings, but they argue that well-thought out promotional efforts can change the way consumers think. The Crafted With Pride In The USA Council, a group composed mainly of apparel and textile makers, says its research shows that country of origin jumps 50% in importance to consumers after they have seen ads prompting them to buy American. That is enough of a boost to make country of origin more important than brand name, says the council.

With those findings in mind the council is taking to television with two flights of commercials using stars like Bob Hope and O. J. Simpson to boost awareness of the Crafted With Pride In The USA label.

The council has another important message to bring to retailers: Take into account the services American vendors offer when comparing their products to imported goods. Many manufacturers say that retailers do not put a price tag on things like better dating, shorter lead times and local warehousing, which are just some of the advantages domestic vendors can offer a retailer.

Making it work: That message is not unlike the one Sam Walton sent to 3,000 American manufacturers in his now-famous letter offering Wal-Mart's help in boosting sales of American goods. After much initial publicity about the program, the chain's buyers are now trying to "make it work," says a spokesman for Wal-Mart. By midsummer Wal-Mart claimed that its program of converting to American manufacturers encompassed merchandise valued at about $80 million at retail.

Although many retailers express doubt that programs like that can have widespread impact, one element in Wal-Mart's effort does seem compelling. The chain is working not simply to get American-made products into its stores but to give business specifically to vendors who manufacture in its market areas. Wal-Mart's program is largely "buy regional," seeking to preserve jobs in the towns where Wal-Mart operates.

Others are also clearly aware of the value of promoting regional products. Goudchaux/Maison Blanche is currently in the midst of a two-week Salute to Louisiana promotion which features merchandise produced in the state as well as demonstrations and exhibits about the region's history. The promotion was designed to support the state Chamber of Commerce's "Pride in Louisiana" program.

As much as other retailers say they would like to buy more from American vendors, many contacted by *Chain Store Age* say the number of conversions to domestic producers is limited even when factors like better services are taken into account. Many buyers, in fact, reject the notion that they are not good enough at their business to figure such advantages as better dating and more co-op dollars into comparisons of American and imported goods.

"We're pretty good shoppers," says Howard Levine, senior vice president of merchandising at Family Dollar Stores. "Believe me, I don't like having to go overseas, and if I can do it here I do."

Retailers say they value the services they get from domestic vendors, but with competition at retail so intense, most buyers say they can't afford not to look overseas for sharp deals.

"Take a category like cookware. I can get the basics here, but by going overseas several times a year for opportunistic purchases I can bring in goods which can be promoted and still give us a good gross margin," says Robert Hope, division merchandise manager for housewares at Kohl's Department Stores.

Traditional values: Even if Americans are unwilling to pay a premium to "buy American," the revival of patriotism may help reshape the way many domestic products are marketed and merchandised. Despite the bulging trade deficit, most store shelves are still laden with American-made goods, many of which are now being featured in promotions tied to patriotic themes.

Perhaps the most visible use of an American theme in a promotion is Miller High Life's "Made the American Way" ad campaign, which has proved an enormous influence on many other types of consumer products. A spokesman for Miller quibbles with the word "patriotism," says the company's research showed what consumers were really ready to respond to were traditional American values: family, trust, quality workmanship.

Wrapped in those values, the patriotic revival also appears driven by a heavy dose of nostalgia, say

Something New . . .
Just for Baby

Your sales will be hopping with

Angel Bunny™

licensed products!

Now there's a character created especially for infants: Angel Bunny! Mattel conceived this irresistible personality to appeal to today's moms, dads and gift-buyers.

Millions in Marketing Support

As the proud parents of this new character, Mattel is giving Angel Bunny a proper start in life by investing in a multi-million dollar marketing campaign!

Already Ringing Up Sales

Pre-sold in the Infant Category, Angel Bunny was adopted by these licensees: Dundee Mills, Inc. (bedding and bath products), The William Carter Company (infant apparel, sleepwear, playwear), Roadmaster Corp. (walkers, infant bicycle seats, non-pedal ride-ons), Western Publishing Company, Inc. (storybooks), Hallmark Cards, Inc. (gift wrap, greeting cards, albums), Trimfoot Co. (infant footwear), Dolly Toy Co. (tidee-ups, lamps, pin-ups and switch plates), Vogart Crafts (craft kits/books), Nasta Industries (phonographs), and Artfaire, a div. of Fox Valley Corp. (party goods).

Angel Bunny was heaven-sent to make sales hop for you, too! So, see how the best for baby can be the best for your bottom line!

MATTEL LICENSING

For more information, call (213) 978-5574.

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some vendors. Harley-Davidson, the motorcycle company, says sales of licensed merchandise bearing its logos, which use American symbols, has reached an all-time high because of Harley's long tradition as an American company.

Everything from T-shirts and baseball caps to wall clocks with Harley's logos are now selling at places like K mart, J. C. Penney and Wal-Mart. The most popular Harley symbol: An eagle with crossed American and Confederate flags in the background.

One increasingly common way to get people to buy American is by offering them premiums which tap into their renewed sense of pride in America. Frigidaire, the appliance company, ran a "Great American Frigidaire Sale" earlier this year offering American flags with purchases of certain products made here in the States. (A few Frigidaire items are made overseas.)

Club Products, a housewares vendor, is going a step further. The company will sponsor an "Invest In America" campaign which will give consumers a $50 savings bond for every 10-piece holiday cookware set they buy. So far, says Gary Reifess, vp/marketing at Club, some 6,000 American jobs have been lost in the cookware industry, and he thinks Americans are ready to buy domestic products more often. "We all have a vested interest in continuing the manufacturing base of this country."

Lady Liberty at retail: At retail, enthusiasm is also growing for American-themed promotions. B. Altman, the New York department store company, beat many to the punch with its Inspiration: America promotion, designed as a counterpoint to the various celebrations and "Salute To" campaigns of other department stores which have featured imported goods.

A 16-page circular Altman's produced for the promotion featured American designers like Calvin Klein and Liz Claiborne, table settings based on American folk art themes by Pfaltzgraff and home textiles using American Indian themes by jack Lenor Larsen.

Perhaps the biggest retail effort centered around an American symbol will involve many different chains. Some 20,000 stores will soon begin setting up "official" Statue of Liberty merchandise centers filled with goods licensed by the Statue of Liberty-Ellis Island Foundation. Retailers as varied as K mart, Caldor, Bloomingdale's and Macy's have signed on to the program.

Going offshore: Does all of this signify a major change in the marketplace or just another fad? Much of that depends on just how deeply the patriotic revival goes. Even as we talk of "Great American" sales more jobs move offshore in categories where domestic vendors just can't seem to compete anymore. While this story was being prepared, in fact, AT&T announced it would move production of residential telephones to Singapore, laying off 875 workers at a Louisiana plant which makes those phones. Even in these patriotic times the move will not hurt AT&T sales, says Russ Glover, a company spokesman, because most residential telephones are already produced in other countries.

"To remain competitive we had to go offshore," he says. ☐

—Steve Malanga

Christmas shopping off to a slow start

Just as the Christmas selling season is about to get under way, consumers look like they are doing an about-face. Only a month after expressing record high levels of interest in buying home electronics, consumer buying plans in the October MarkeTrends survey are dramatically lower.

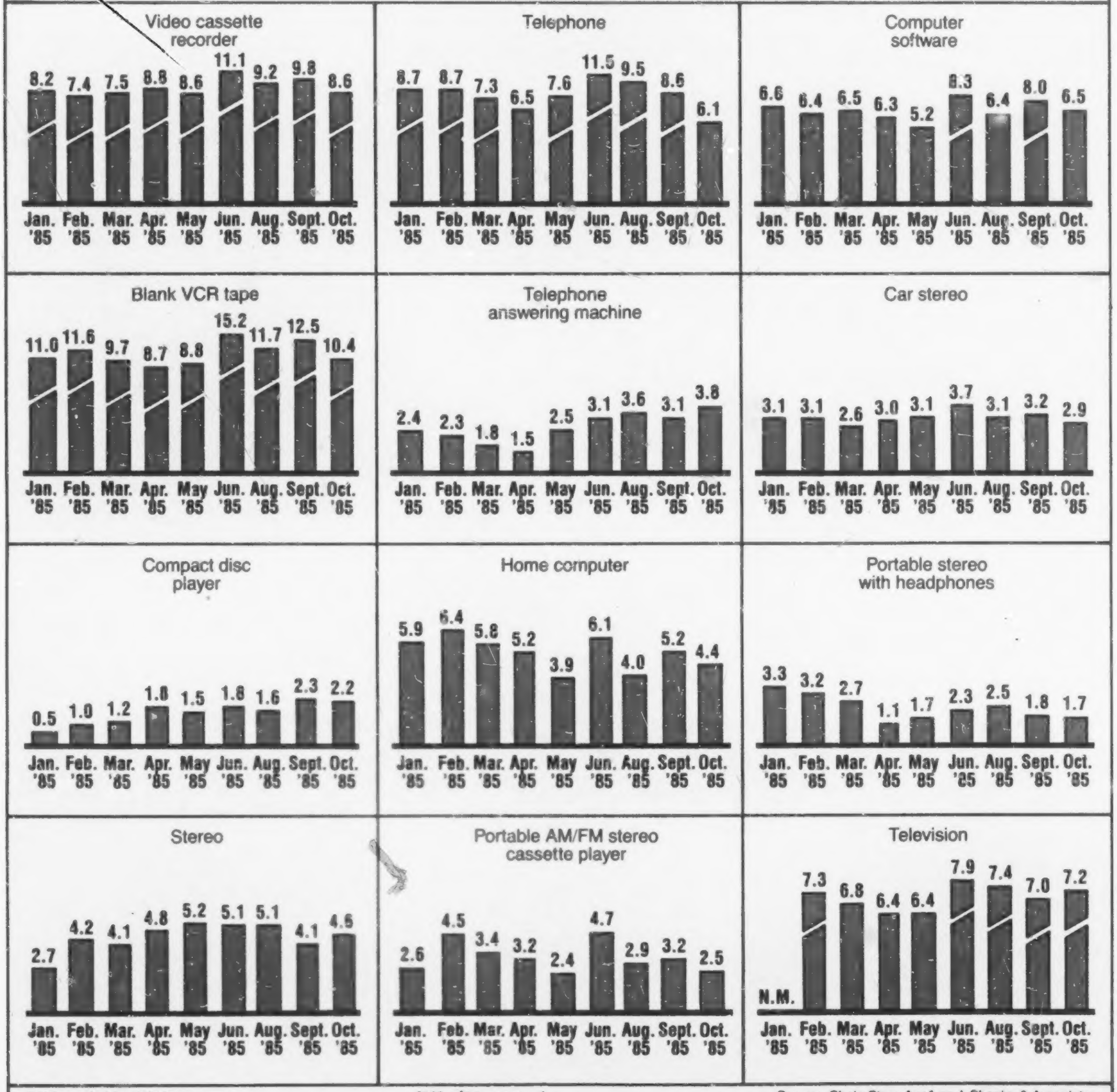
For 9 of 12 categories tracked in the poll, consumer intent-to-buy has dropped in the last month. The sole exceptions are telephone answering machines, stereos and televisions.

The video cassette recorder is the most dramatic downtrender. Since a June high of 11.1%, the number of households that say they will buy a VCR in the next year has fallen to 8.6% in the most recent survey.

More ominous is the drop off in the number of consumers actively shopping for a video cassette recorder in the last 30 days. Last month, an all time high of 7.8% of households in the survey reported they were active shoppers. This month, the number has plummeted to 3.1%, the lowest total recorded in 1985.

On a more optimistic note, exactly half of the households which say they expect to buy a compact disc player in the next year report that they have already begun shopping in the last month. ☐

Consumer Buying Intentions*



* % households might buy

N.M. = Not measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Software perception needs sharpening

Is computer software too boring? Not according to software publishers. They can conduct a tour of today's product that includes more bells and whistles than Times Square on New Year's Eve.

But ask consumers what tasks they expect software to perform, and the result is a pretty hum-drum list of unpleasant chores. The top three uses, according to MarkeTrends, are paying bills (26.2%), keeping records (18.7%) and balancing checkbooks (16.8%)—not exactly the stuff dreams are made of.

Few in the MarkeTrends sample see the personal computer as a tool to expand personal creativity. Unlike other home electronics products, software or computers are not perceived as gateways to adult entertainment.

Without a promise of even a little fun, it looks like the market for software will be limited. Given the choice between buying a computer program that calculates how much he owes Uncle Sam and a video tape of *Casablanca*, the average consumer will probably pick Ingrid Bergman.

Awareness of software is still relatively limited. Among the 1 in 5 in the MarkeTrends poll who classify themselves as experienced with personal computers, fewer than two-thirds (64%) can think of the name of any software.

Apple, which does not even publish software itself, tops the consumer's list, further illustrating a general lack of brand name recognition. Next on the list are IBM, Commodore, Lotus and Texas Instruments. Also mentioned are Radio Shack and Word Star. ☐

If you got a personal computer, what would you use it for?*

Budgeting/paying bills	26.2%
Keeping books/household records/ rent/utility bills/taxes	18.7
Finances/checkbook balancing/ bank statements	16.8
Schooling/help with school work/ homework	14.0
Entertainment/games	10.3
Business	9.3
Writing	6.5
Math	5.6
Store addresses/phone numbers/ special events	1.9
Real estate purchases	1.9
Set up an office at home	0.9
Hook up to the bank	0.9
Resumes	0.9
Communication purposes	0.9
Other	2.8
No use/no need for one	13.1
Not answering	15.0

*Totals more than 100% due to multiple responses.
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Telephones: Do brand names pay off?

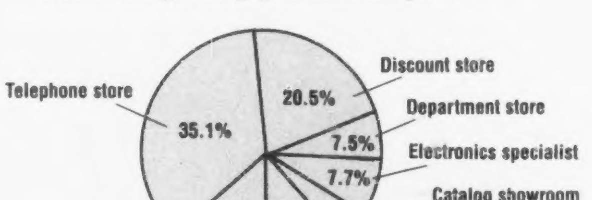
Even though 42.1% of households polled in the most recent MarkeTrends survey say they definitely or almost definitely want a specific brand telephone, top-of-mind brand name awareness does not seem to pay off directly when it comes to actual telephone sales.

In the October poll, AT&T, Bell and Western Electric combine to top the consumer's list with 65.2% of mentions. Following are name brand (not specific) at 11.2%, General Electric (5.6%), store brand (4.5%), and Cobra, GTE and Uniden, all at 3.4%. Also mentioned are Panasonic and Mura.

But even communications giant AT&T does not lay claim to nearly two-thirds of the actual market, and Webcor, which is not mentioned at all by consumers in the study, in reality takes a hefty share of mass market sales.

CSA *research suggests* *that shelf space may determine market share in phones.*

Where did you buy your last telephone?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Advertising, suggests the MarkeTrends survey, can buy share of mind, but shelf space may be determining market share. Once in the store, many consumers appear to be shopping price and features, and giving up their preconceived brand choices.

In choosing a store where they would buy a telephone, 2 out of 5 in the poll cite price and discount as the prime reason they would choose a particular outlet.

Consumer interest in buying a telephone, however, has been on a rollercoaster throughout the year. In January, 8.7% of households polled reported that they expected to buy a phone in the next 12 months. In April, the number fell to 6.5%, only to ride back up to 11.5% in June. The most recent survey shows a year-to-date low of 6.1% saying that they will buy a telephone in the next year.

"This industry is almost unpredictable," laments GTE consumer communications vp Freeman Robinson. Both GTE and rival AT&T are predicting industrywide unit sales will hold even or gain slightly on 1984's performance. ☐

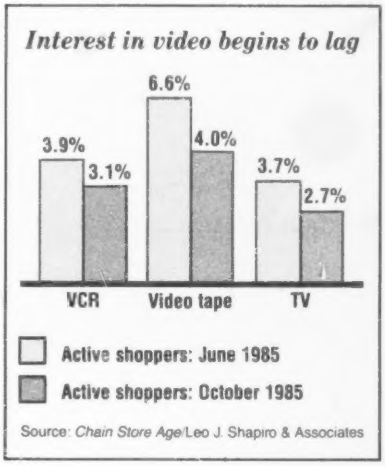
Will the VCR goose lay an egg?

Video cassette recorder sales will level off after the new year and then show some slippage—that is, if the American market follows the pattern already experienced in Japan.

MarkeTrends research indicates that video cassette recorders have already hit a 27.5% household penetration. In Japan the growth spiral leveled off when penetration reached about 1 in 3 homes.

But will it happen here? One factor arguing against a quick slowdown is the current round of price cuts. A controlled pattern of distribution in Japan, which effectively limits a retailer's ability to discount and thus drive the market by price promotion, does not exist in the United States.

Interest in video begins to lag



Source: *Chain Store Age*/Leo J. Shapiro & Associates

A strong argument in favor of a slowdown, however, is overall declining consumer interest in video itself. Since June, the number of households in the MarkeTrends survey that are actively shopping for a VCR has dropped 18%. Active shoppers for blank video tapes have fallen 39%, and consumers shopping for televisions have decreased 27%.

Still, video remains at the top of the consumer's buy list. Blank video tape, video cassette recorders and television are the three electronics categories in which consumers express the highest interest.

While the goose which laid the golden egg is in no danger of dying, she may have reached the limits of her fertility. ☐

Looking into the crystal ball

Jeanne Dixon makes her living predicting the future in tabloid supermarket magazines. Often her prognostications come true; I suspect the majority do not. Few remember when she is wrong, and in the end who really cares, since it is all done in the spirit of entertainment.

At *Chain Store Age* we also are in the business of making predictions. Our purpose here, though, is a little more serious. We attempt to track the products, the price points, the brands and the merchandising strategies which will work tomorrow, not just report which worked yesterday.

Unlike the tabloid prognosticators, we expect to be held accountable for our predictions, since this is the only way our readers can judge the quality of the information we provide.

Looking back over the past two years, we have chalked up a pretty decent record. There have been some false steps, but on the whole we have been right on the mark.

In the spring of 1984 the president of one major electronics specialty chain told *CSA* that consumers were not interested in compact disc players because we were in the middle of a video revolution. At that time fewer than 80,000 CD players had been sold to dealers. Nonetheless, *CSA* predicted that the CD player would be a hit.

By August of last year *CSA* was predicting sales for compact disc players would jump at least 180% in 1985. We called that one right on the nose. Ten months after *CSA*'s projection, the Electronics Industries Association upped their own estimates. They now predict a 188% increase in 1985.

Last year was a tumultuous year for personal computers and software. While others were still cheering at the sidelines, *CSA* readers could see it in our headlines: "Home computers on horizontal path" and "Software sales show steady growth." Both turned out to be accurate.

When *CSA* talked about video cassette recorders 14 months ago, we made a mistake. We said that VCR sales in 1985 would increase 20% over 1984. In fact, it looks like there will be a 50% jump. What *CSA* did predict accurately, though, was the increasing share discounters would take and the incredible price cuts experienced going into this Christmas selling season.

Sixteen months ago *CSA* greeted the introduction of 8mm video cassette recorders with a resounding yawn. The best *CSA* could find to say about 8mm at the time was that there would be a limited market.

As recently as June of this year, *CSA* remained unconvinced. Our headline four months ago was hardly an endorsement: "8mm not an orphan, but needs friends."

I think that we were wrong about 8mm. Over the summer, retailers began to tell me that we were wrong. They told me that Sony's entry into 8mm had totally changed the market's complexion. Department stores in particular began selling so much 8mm that they were having problems keeping camcorders in stock.

Two department stores, each with very different merchandising plans and customer bases, both told me that their five-year plans now call for 8mm to be the dominant video format by 1990.

I am convinced. That's the reason for this month's lead consumer electronics story about 8mm. *CSA* was too conservative and cautious in its approach to 8mm, and this month's story is an attempt to set the record straight.

—Rick Gallagher

Treats may be scarce in October

Retailers are banking on a bang up Christmas for the housewares category. October, however, does not appear to be the month consumers will kick off their buying sprees.

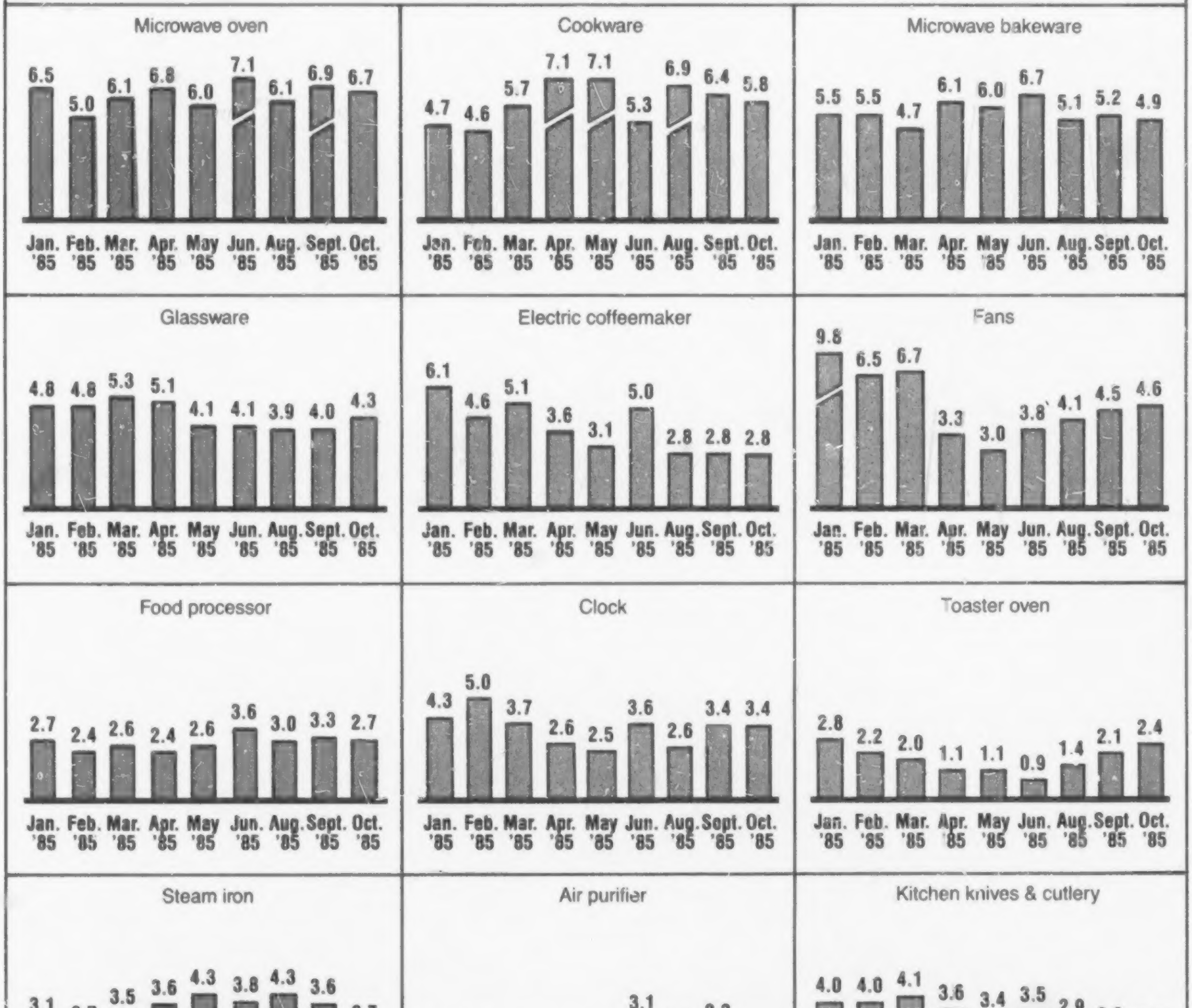
Buying intentions dwindled in 7 of 12 tracked categories. The only three areas where consumers are revving up purchasing plans are glassware, fans and toaster ovens. Purchasing intentions for clocks and coffeemakers stayed on par with last month.

Microwaves, the darlings of the housewares category, are also not as high on shopper's lists as in earlier months of 1985. Buyers from Bamberger's, A&S and Montgomery Ward are still counting on microwaves to be a big item for Christmas. Most are embarking on heavy promotional campaigns to stir up sales.

Food processors will also be more heavily promoted in the months to come as vendors try to compete with Sunbeam's new Oskar. Despite the impact Oskar has made, intention-to-buy a food processor declined from 3.3% of the households surveyed last month, to 2.7% in October.

Retailers are worried that if buying intentions do not perk up, Christmas will not be as cheery as they had hoped. ☐

*Consumer Buying Intentions**



* % households might buy

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Good coffeemakers never die

The problem with electric coffeemakers, from a sales standpoint, is that the products are just too good.

That is according to this month's MarkeTrends research of consumers who brew fresh coffee. Those surveyed are so satisfied with their current coffeemaker that they are not motivated to replace it. Eighty-eight per cent of the households interviewed say they are completely happy with their present unit.

The percentage of households indicating plans to buy a new coffeemaker reflects this. Only 2.8% of the households surveyed expect to buy within the next year.

Retailers suggest promoting coffeemakers to accelerate replacement sales before a new coffeemaker is actually required. Many buyers believe customers can be enticed by features such as automatic drip or automatic timers. In fact, the ideal coffeemaker, according to those surveyed, would be drip unit capable of brewing nine to 10 cups.

Among those not completely satisfied with their present units, about 43% indicated they would be pleased if their machine produced better flavor.

Among the two-thirds of households surveyed who brew fresh coffee, 95% make it daily. One out of 8 of all U.S. households report keeping fresh coffee on hand most of the day. □

If you bought a coffeemaker, what brand would it be?

Mr. Coffee	22.4%
G.E. (now Black & Decker)*	22.4%
Norelco	7.5%
Proctor-Silex	7.5%
Farberware	3.0%
Regal	3.0%
Krupps	3.0%
West Bend	3.0%
Oster	1.5%
Mirro	1.5%
Coffee Mate	1.5%
Corning	1.5%
Revere	1.5%
Italian Brand	1.5%
Not answering	19.0%

*Although product now says Black & Decker, consumers are responding G.E.
Source: *Chain Store Age*/Leo J. Shapiro & Associates.

Oster
10-Cup Automatic
Drip Coffeemaker
NEW

Retailers note that *consumers are slow to replace their present coffeemakers.*

Are microwave sales ebbing?

Microwaves with unique *features are where buyers are putting their dollars.*

Now that 40% of the population owns a microwave, retailers are worried they may not be able to sustain the phenomenal sales growth they have enjoyed over the past three years.

More than nine million units were sold last year, according to the Association of Home Appliance Manufacturers. During that period, retailers sat back and watched the units fly out of the stores. A drop in price from an average of $400 per oven to $300 helped microwaves become a basic in the kitchen.

However, the business is now nearing that crucial stage where vendors will have to rely on replacement sales to keep volume afloat. There may already be some trouble: Intention-to-buy a microwave slipped from 6.9% of households surveyed last month to 6.7% for October. This is worrisome because microwaves should be high on shopper's lists as Christmas approaches.

In order to generate replacement volume, many retailers are putting dollars behind unique microwaves. At the high-end, buyers are looking at units with many features. Especially popular are turntables, temperature probes and touch pads. A few department stores are hoping the new rage will be microwave/convection models, which now account for between 6% and 7% of sales.

Then there are the downsized microwave wars. Hands down, Litton's Little Litton has been a resounding success. With its inexpensive price point (under $200) and its compact size, Little Litton has become an apartment dweller's or student's dream.

The other mini-microwave making a splash is Sharp's Half-Pint, a 0.6 cubic foot unit already priced at a low $129.99 in the New York City market.

The majority of households surveyed think of Sears, Montgomery Ward or J. C. Penney when they want a microwave. Almost 30% mentioned one of these outlets, with 19% selecting Sears. Discounters garnered 23.5% of the sample, department stores 23.5% and catalogers 7.4%. □

How much would you expect to pay for a microwave oven?

$125 to $149	1.1%
$150 to $199	5.6%
$200 to $299	34.4%
$300 to $399	38.9%
$400 to $499	10.0%
$500 to $699	5.6%
$700 to $799	2.2%
$1,000 to $2,000	2.2%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

SilverStone image has nary a scratch

One message rings loud and clear in this month's MarkeTrends: Consumers still want products with SilverStone.

Despite the influx of new anodized, copper and professional cookware, today's average shopper still hunts for the SilverStone seal. In fact, research from *Chain Store Age*/Leo J. Shapiro & Associates suggests shoppers actually consider SilverStone a brand name. When asked what brand cookware they would buy, 15.1% indicated SilverStone. That was even with those requesting Revere Ware and higher than responses for Regal (3.8%) and Farberware (3.8%).

If you decided to buy cookware . . . which store would you be most likely to shop?

K mart	11.8%
Other discount stores	11.8%
Sears	19.1%
Ward	4.4%
Penney	5.9%
Department store	23.5%
Catalog showroom	7.4%
Product specialty store	2.9%
Grocery store	2.9%
Variety store	1.5%
Other	8.8%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Many retailers find it wise to highlight SilverStone products in ads. For example, New Jersey's Bamberger's recently featured Meyer's Cook 'n Look set with SilverStone for $69.95 and A&S touted its own cookware with SilverStone at $69.99 for a nine-piece set.

Sales are a key to the business, according to the research, with almost 55% of the households queried indicating their last cookware purchased was at a sale price. Just over 51% of the sample selected the outlet they would buy cookware at based on price/discount. Quality, however, is also important according to 21% of the poll.

Shoppers are firm in their selections. Almost 50% indicated they are sure the brand they listed is the one they "definitely" want. ☐

Unique idea: Market to the masses

Around our office, we have banned the use of the term Yuppie. Instead, we have opted for Doonesbury's terminology—the Y-Word.

We have abolished the word because it is overused. Imagine how many retailers we interview daily who tout their new prototype as aimed at the upscale customer. Or, guess how many vendors insist they have the product every Yuppie will clamor to buy. Too many—that is why we suggest retailers and vendors try something unique and market to the average shopper.

According to Marilee Hartley, co-author of The Yuppie Handbook, vendors should not think cosmetic alterations can make a product appeal to a Yuppie. "Aluminum cookware with plastic handles just doesn't do . . . Yuppies can't be fooled," she says.

Another reason Yuppies should be left to the Zabar's of the world is that less than 20% of the population truly fits the mold. That is certainly not enough to keep the average store afloat.

Also, these Y-worders are not free from debt—it costs a great deal of money to keep Akitas in obedience school.

Perhaps retailers and vendors should shift their emphasis back to the middle America. There really is—as some have found—a risk of upscaling too far.

In housewares, there are retailers who eschew Yuppies. Zayre, of course, is a logical example. Others include RG. Branden's, MainStreet and Montgomery Ward's new prototype. Opened last month in Annapolis, Md., the prototype is aimed at a better grade shopper than a typical Ward. But it is not, according to a chain topsider, targeted to draw Yuppies.

"We do not want to become a department store," elaborates Ward president Bernard F. Brennan. "We are not looking for a trade-up customer, we just want the customers we have to spread dollars around the rest of the store."

In other words, customers shopping Ward for an appliance or tool, will now think of Ward when shopping for housewares.

While J. C. Penney is busy injecting its mix with Cuisinart cookware and $700 Faema Contessa cappuccino makers, Ward has drawn the line at Braun. It also deleted some "upscale" techniques used in the initial Home Stores such as open stock glassware. After all, Ward knows it will take more than a tiny group of Yuppies to make its stores the success it hopes they will be.

* * *

Product proliferation can really sandbag unique ideas. It seems everytime a housewares vendor launches something truly unique . . . knock-offs are on the shelves within months. The copy merchandise is often made of lesser quality and sold at a cheaper price.

A few examples of products that were unique and are being rapidly copied include Salton's Wet Tunes, anything under-the-cabinet, Sunbeam's Oskar and rechargeables. Instead of imitation, vendors should seek innovation.

"Do something different," pleads Joe Palmisano at Caldor. As an example, he cites Conair's new blister carded blow dryer complete with a brush and mousse all retailing for under $12.

"Now that's unique," he adds.

So many times, vendors copy products to tap into a current craze. Instead of unabashedly copying—why not improve it. It will keep everyone in business much longer.

—Faye Brookman

Sales sluggish in second quarter

A sluggish retailing climate in which shoppers spent their dollars more judiciously during the second quarter produced stronger results for department stores than The Big 3 general merchandise chains and discounters.

Flat sales and earnings during the first half of the year have prompted many retailers to raise their expectations for the fourth quarter even higher.

Department stores were, for the most part, able to turn the tight consumer spending pattern to their advantage by cutting prices on their higher-end merchandise and luring customers away from discounters. Particularly hard hit were private label programs that were pitted against the top fashion labels in traditional department stores.

Sears, Penney, and Ward suffered through a second quarter that produced substantially reduced combined earnings. One analyst speculated that the chains may have applied too tight a rein to inventory control, and that they also suffered from higher operating costs. The Big 3 and discount store chains seem intent on positioning themselves to take advantage of stronger projected fourth quarter earnings and sales, at the expense of second and perhaps third quarter performance.

Woolworth, Wal-Mart, SCOA, and Ames proved the exceptions to flat earnings. Their success can be credited to their ability to control costs while not allowing margins to erode in a more price-conscious retail climate.

Toys "R" Us was only able to match its second quarter earnings from last year. The company says sluggish consumer spending required it to adopt a competitive pricing strategy to boost sales. The specialty chain did suffer some deterioration in its margins, but tightly controlled expenses were able to offset it.

Several other traditionally strong performers also reported flat earnings during the quarter. Dayton Hudson's net moved ahead just 2.3% on the strength of operating earnings gains at Mervyn's. Operating profits in the three other divisions all declined.

Carter Hawley Hale continued to show improved performance. Earnings from continuing operations were $7.7 million in the quarter, compared to the loss of $21.8 million for the second quarter in 1984. (CHH recorded net earnings of $39.5 million in the second quarter last year because of a one-time gain from the sale of Waldenbooks to K mart.)

Sales and earnings flat in first half

Chain	2nd quarter (000 omitted)			1st half (000 omitted)		
	1984	1985	% change	1984	1985	% change
Penney	49,000	30,000	− 40.4	118,000	80,000	− 32.2
Sears[2,4]	158,800	73,500	− 53.7	181,700	81,800	− 55.0
Ward	1,548	1,432	− 7.0	(1,000)	1,000	—
Subtotal	**209,348**	**104,932**	**− 49.8**	**198,700**	**162,800**	**− 18.1**
K mart	144,400	74,800	− 48.2	202,404	133,300	− 34.1
Ames[5]	5,786	6,953	+ 20.0	11,949	12,739	+ 6.6
Roses	5,812	3,477	− 40.2	9,505	6,780	− 28.7
SCOA (Hills)	2,453	4,695	+ 91.4	3,579	4,202	+ 17.4
Wal-Mart	58,964	71,809	+ 21.8	102,607	123,499	+ 20.4
Woolworth[1,2]	19,000	27,000	+ 42.0	23,000	33,000	+ 43.5
Zayre	12,435	15,005	+ 20.7	23,036	32,061	+ 39.2
Subtotal	**248,850**	**203,739**	**− 18.1**	**372,146**	**338,214**	**+ 9.1**
Allied	16,714	30,996	+ 85.4	31,446	48,213	+ 53.3
Associated Dry Goods	18,400	14,500	− 21.2	23,461	23,880	+ 2.0
Carter Hawley Hale[1]	(21,769)[6]	7,725	+ 17.7	13,900	19,325	+ 39.0
Dayton Hudson[1]	39,103	39,984	+ 2.2	67,503	73,435	+ 8.8
Federated	25,027	35,033	+ 40.1	70,843	78,433	+ 10.7
May Co.	37,000	37,800	+ 2.2	64,500	71,300	+ 10.5
Mercantile	12,085	12,884	+ 0.7	26,394	30,480	+ 15.5
Subtotal	**183,325**	**178,922**	**+ 15.4**	**280,054**	**345,066**	**+ 23.2**
Oshman's	1,708	919	− 46.2	1,767	274	− 84.5
Toys "R" Us	11,602	11,843	+ 0.2	21,200	24,022	+ 11.8
Subtotal	**13,310**	**12,762**	**− 4.1**	**23,967**	**24,296**	**+ 1.4**
The Gap	78	418	+436	755	(699)	—
The Limited	16,888	25,744	+ 52.4	30,493	47,090	+ 54.4
Edison Bros.[3]	5,600	3,800	− 32.1	15,600	17,000	− 50.6
Subtotal	**81,437**	**113,310**	**+239.1**	**46,848**	**54,091**	**+ 15.5**
Syms	3,420	3,939	+ 15.2	4,761	5,845	+ 22.8
Clothes Time	1,446	3,828	+164.7	1,981	5,195	+162.2
Subtotal	**22,466**	**29,962**	**+ 33.3**	**6,741**	**11,050**	**+ 63.9**
Total	**654,221**	**539,652**	**− 17.5**	**1,038,321**	**935,517**	**− 9.9**

[1] Continuing operations only [2] Consolidated operations only [3] Excludes unusual items [4] U.S. merchandising only [5] Includes earnings for Ames and June and July earnings for G. C. Murphy [6] Excludes after sale gain from sale of Waldenbooks

( ) Indicates loss

Source: *Chain Store Age* research

Child World cuts six month loss

The prospectus for Child World, the toy retailer which recently completed a stock offering, shows that the chain was able to reduce its loss in the first half by parlaying strong sales of traditional toys and games with less reliance on low gross margin merchandise.

Sales in the first half for the 107 store chain rose 19.3% to $88.1 million. The chain lost $1.2 million in the half, down from a loss of $2.7 million in the same period a year ago. Child World says it traditionally loses money in the first half.

Comparable store sales increased just 2% in the half, primarily because of a 44% decline in sales of electronic items. The company also discontinued selling diapers and formula, which helped it boost its gross margin from 28.7% to 30%.

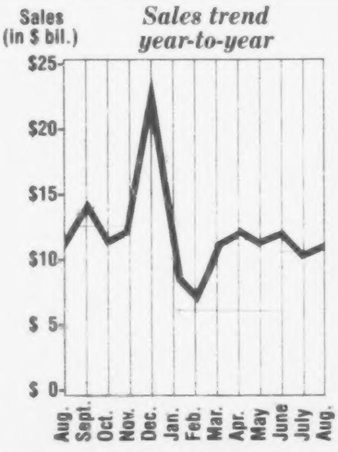
According to the prospectus, Child World estimates that it does about 4% of toy volume in this country. In its last full fiscal year sales moved ahead 21% to $435 million on the strength of a 14% gain in sales of traditional toys and games in stores operating for more than a year. Sales of electronics items declined about 40% on a comparable store basis.

Earnings for the full fiscal year were ahead 14.8% to $11.5 million on a gross margin increase to 31.1% of sales, from 30.2% the year earlier. The gain came principally because of fewer sales of low gross margin electronics items.

B-T-S nudges August sales ahead

August sales rebounded somewhat after a sluggish summer, but not enough to allay retailers' fears that the environment will remain tough for the remaining months of 1985.

Sales for the 26 retailers monitored by *Chain Store Age* rose 9.8% for August and +7.9% for the seven months of the current fiscal year. The August increases come on top of only a modest improvement last year. Volume was also bolstered by the fact the August selling period was one week further into the back-to-school season this year.



Composite of sales trends showing month-to-month sales volume for the 26 retail companies tracked by *CSA*.

The B-T-S shopping spree resulted in sales gains in women's apparel, lingerie, sweaters, boys' jeans and girls' dresses, says William R. Howell, chairman of J. C. Penney. Penney's sales for the month were up 2.3% over 1984.

At Bradlees, the month got off to a late start, according to Avram J. Goldberg, president and ceo of The Stop & Shop Companies. "The first two weeks of the period were marked by clearance sales, but the last two weeks showed some spark from the back-to-school selling season as consumer demand picked up somewhat."

Bradlees sales jumped 24% during the four week period, the first full period to include sales from the 18 Jefferson Ward stores acquired in July. Comparable store sales increased 10%.

August sales rebound, but slowly

		August Sales*		Stores		7-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,8]	+ 1.4	2,192,132	2,161,790	795	805	15,461,943	15,424,465	+ 0.2
Penney[8]	+ 2.3	998,000	976,000	1,983	2,018	6,350,000	6,301,000	+ 0.8
Ward[1,7]	− 2.9	348,161	358,212	316	323	2,389,866	2,464,501	− 3.0
Federated[5,7]	+ 11.6	612,800	549,000	476	404	4,159,900	3,883,100	+ 7.1
Dayton Hudson[7]	+ 16.5	659,700	566,100	1,175	1,124	4,337,300	3,760,000	+ 15.4
May Dept. Stores	+ 15.9	379,200	327,200	1,976	1,666	2,587,700	2,317,000	+ 11.7
R. H. Macy	+ 14.0	349,300	306,900	96	91	2,250,700	2,134,700	+ 5.4
Associated Dry Goods	+ 19.8	307,400	256,700	N/A	N/A	2,191,000	1,967,000	+ 11.4
Allied Stores	+ 10.0	291,100	264,600	630	584	2,063,100	1,979,200	+ 4.2
Carter Hawley Hale[7]	+ 5.9	274,000	258,600	278	254	1,984,500	1,801,000	+ 10.2
Mercantile	+ 12.1	138,449	123,519	80	79	945,859	847,161	+ 11.7
K mart[6]	+ 6.1	1,638,362	1,544,190	2,174	2,161	12,094,262	10,898,727	+ 11.0
Wal-Mart	+ 32.4	732,000	553,000	819	699	4,322,000	3,296,000	+ 31.1
Woolworth[8]	+ 8.3	303,800	280,600	N/A	N/A	1,947,000	1,807,000	+ 7.8
Household Merch.[2,3,7]	+ 1.9	397,606	389,984	3,563	3,701	3,017,823	2,907,182	+ 3.8
T.G. & Y.	− 5.6	134,612	142,654	736	764	1,196,616	1,208,668	− 1.0
Zayre[4]	+ 26.5	301,645	238,477	917	800	1,936,403	1,599,830	+ 21.0
Bradlees	+ 24.2	123,000	99,000	153	130	745,000	683,000	+ 9.1
Roses	+ 10.3	89,625	81,236	198	192	634,871	492,390	+ 8.7
Ames	+ 128.0	132,600	58,100	566	N/A	659,200	410,200	+ 61.0
Jamesway	+ 17.0	40,616	34,858	85	79	267,226	236,764	+ 12.9
Heck's	+ 0.9	41,200	37,900	162	122	271,400	252,200	+ 7.6
Melville[7]	+ 13.6	379,652	334,303	5,451	5,188	2,512,905	2,256,547	+ 11.4
Tandy	+ 18.0	244,814	207,105	N/A	N/A	1,540,471	1,431,202	+ 7.6
Edison Bros.	− 2.7	64,100	65,900	N/A	N/A	511,400	534,600	− 4.5
The Gap	+ 32.0	73,900	56,000	644	602	310,400	261,200	+ 18.8
Circuit City	+ 35.0	50,400	37,400	97	N/A	311,600	227,900	+ 36.7
Total & Averages	+ 9.8	11,163,562	10,166,674			75,703,829	70,173,869	+ 7.9

*000 omitted N.C. = no change N.A. = not available
[1] Store number for full-line outlets only [2] Includes 2,647 franchise stores (vs. 2,763 a year ago). [3] Includes T.G. & Y. sales [4] Includes 326 Zayre stores (vs. 278 a year ago), 419 Hit or Miss stores (vs. 384) and 172 T.J. Maxx stores (vs. 138). [5] Excludes supermarket sales [6] Store count is for K mart stores only [7] Continuing operations only [8] Domestic operations only

At Dayton Hudson, which reported a 16.5% sales increase for August, chairman and ceo Kenneth A. Macke picked some items that sold particularly well. In consumer electronics, Macke singled out stereo rack systems, VCR's, telephone answering machines and typewriters. Not surprisingly, these are items many students desired for college.

The hot fall apparel looks, he adds, included plaids, paisley prints, denim detail and motif sweaters.

"Generally speaking, we were pleased with back-to-school sales," he says. "However, we don't believe they necessarily indicate that the consumer is back to spending. We see no sign of any real strengthening in retail sales."

In fact, several sources say shoppers are still "leveraged up to their eyeballs in debt."

Wal-Mart vice chairman Jack Shewmaker confirms that feeling by noting consumer transactions are down and shoppers are only buying necessities such as socks and underwear.

The Bentonville, Ark.-based retailer, however, recorded a 32.4% increase in August sales over 1984, with a 10% rise in same store volume.

Correction

An article in the June issue of *Chain Store Age* misstated 1984 profits for McCrory Stores. The correct profit for the fiscal year was $85.1 million on sales of $918 million. Five year earnings growth for the company based on the corrected figure is 92%. Five year sales growth is 36.2%.

McCrory ended the year operating 723 stores.

Beyond discounting in CE

Profitable small appliances

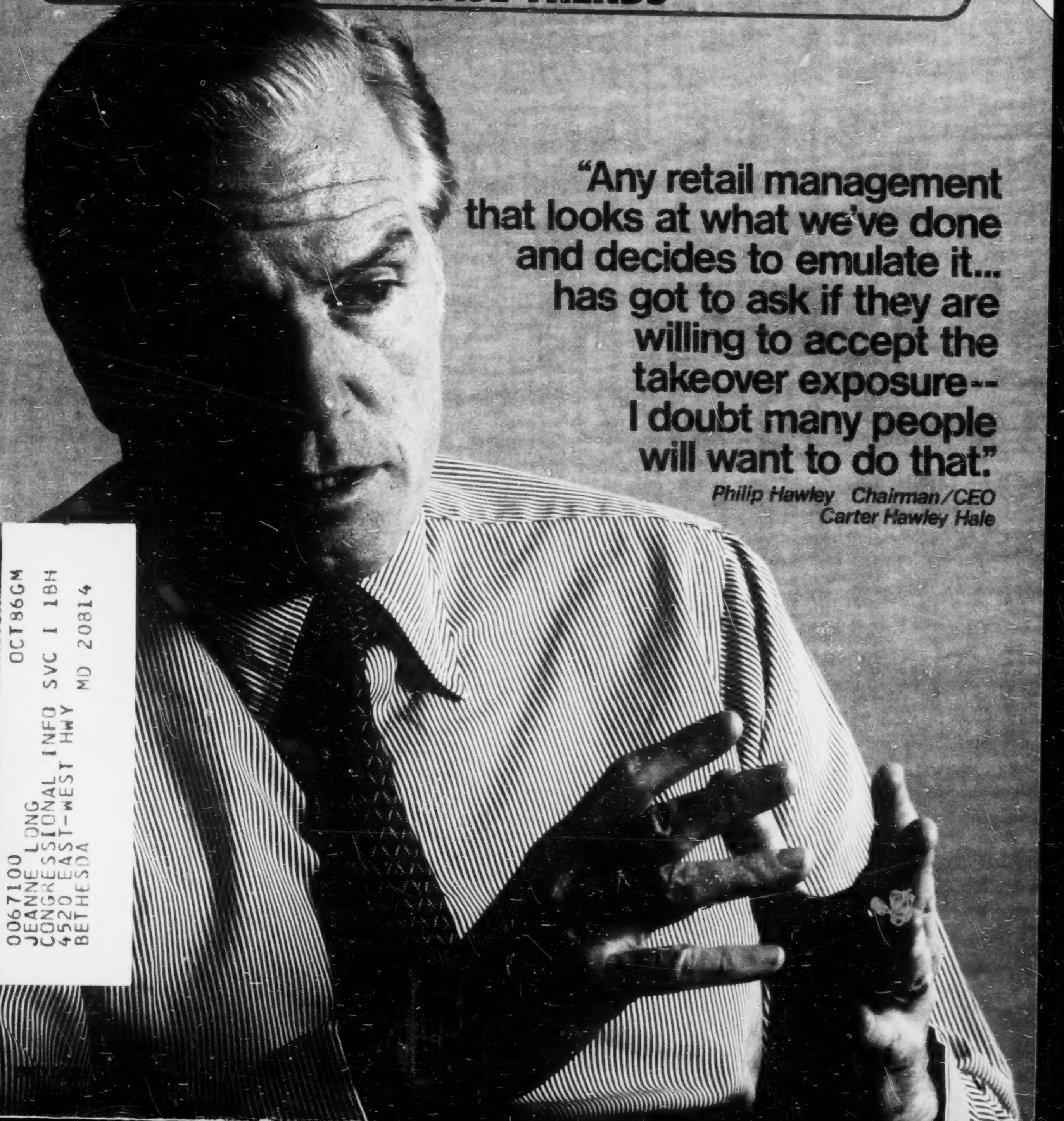
Licensing's next winner?

cs150-7

Chain Store Age

GENERAL MERCHANDISE TRENDS

November 1985



"Any retail management that looks at what we've done and decides to emulate it... has got to ask if they are willing to accept the takeover exposure-- I doubt many people will want to do that."

Philip Hawley Chairman/CEO
Carter Hawley Hale

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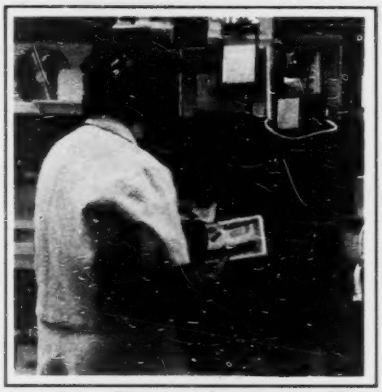

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Transitional period for licensing

For character licensing, back-to-school represents a transitional period. Promising new licenses show their first real sales muscle during this period, swiping volume from some of last year's holdover licenses which begin to lose their sales drive.

The transition taking place in the business shows up in this month's *Chain Store Age* poll of the fastest growing licenses. Although a few established properties, notably Transformers and Masters, remain strong, new licenses are starting to reshape the market.

Toy buyers gave at least one mention to 15 different licenses. New properties showing particular strength are Voltron, Mask and She-Ra. Wuzzles also garnered several mentions.

Those successes also explain why the list of most rapidly fading licenses is also large this month. Products like Care Bears, Rose Petal and even Cabbage Patch are mentioned by a few buyers as experiencing sales declines.

The *CSA* poll is sent to toy buyers at the nation's largest 100 general merchandise stores. This survey tracks performance for October. Numbers in parentheses indicate position on the previous poll.

Showing most gain:

1. Transformers (1)
2. Masters of Universe (2)
3. Voltron
4. Cabbage Patch (3)
5. Mask
   G.I. Joe

Showing most falloff:

1. Star Wars/Jedi (2)
2. Strawberry Shortcake (4)
3. A Team (1)
4. Knight Rider (4)
5. Get Along Gang (3)

Weekend paper training: run in the Sunday Tulsa World.

Over 75% of the Tulsa MSA reads the Sunday Tulsa World. (That's over 380,000 of Tulsa's adults.) And you can reach those readers through a number of special sections and features.

Like OK Magazine and TV World. These locally edited supplements deliver your ad to 84% of the Sunday World readers with excellent heatset reproduction on quality offset stock.

Don't quit your paper training on weekends. Running in the Sunday Tulsa World is an excellent exercise for building stronger retail sales. Source: Belden CMS

TULSA WORLD
The Tulsa Tribune

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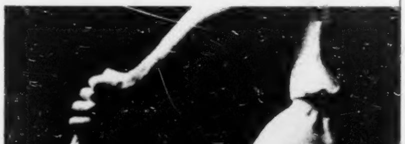


Smaller labs, bigger photo sales

The introduction of small, easy-to-use processing labs earlier this year is further fueling growth of the already exploding on-site photo developing business.

Fotomat is the latest major player to get into the game. The St. Petersburg, Fla.-based company is testing three one-hour "Express Labs" and has plans to open at least two more very quickly. Two of the units are in Northern New Jersey and the third is located in Fotomat's corporate headquarters.

The start of the new program comes at a time when traditional photo kiosks of the type Fotomat runs are losing market share. Regular Fotomat kiosks offer 4-in. by 6-in. color prints in studio or glossy finish, while the Express Labs produce 3.5-in. by 5-in. studio finish prints.

"Research shows that about half of the people like the convenience of one-hour processing while the other half prefer larger prints and the versatility they get from Fotomat's centralized processing labs," says William Kirkman, vice president of retail operations and marketing at Fotomat. At present there are about 7,000 one-hour labs in this country, but many of them are operated by independents.

Fotomat has been able to convert some of its kiosks to Express Labs by using the Konica Nice Print system, a waterless on-site processor which requires just several hundred feet of space.

Meanwhile, Fox-Stanley Photo, which operates about 900 retail photo outlets, is continuing its rapid move into one-hour photo outlets. In the first quarter Fox opened 20 one-hour locations and now boasts more than 170. Two years ago one-hour labs accounts for just 4.5% of Fox retail volume. Now one-hour labs do nearly 60% of retail sales.

The move toward one-hour labs means that Fox is also deemphasizing its traditional kiosk-based photofinishing outlets. Sales for these types of outlets have continued to decline.

Interest in phones declines again

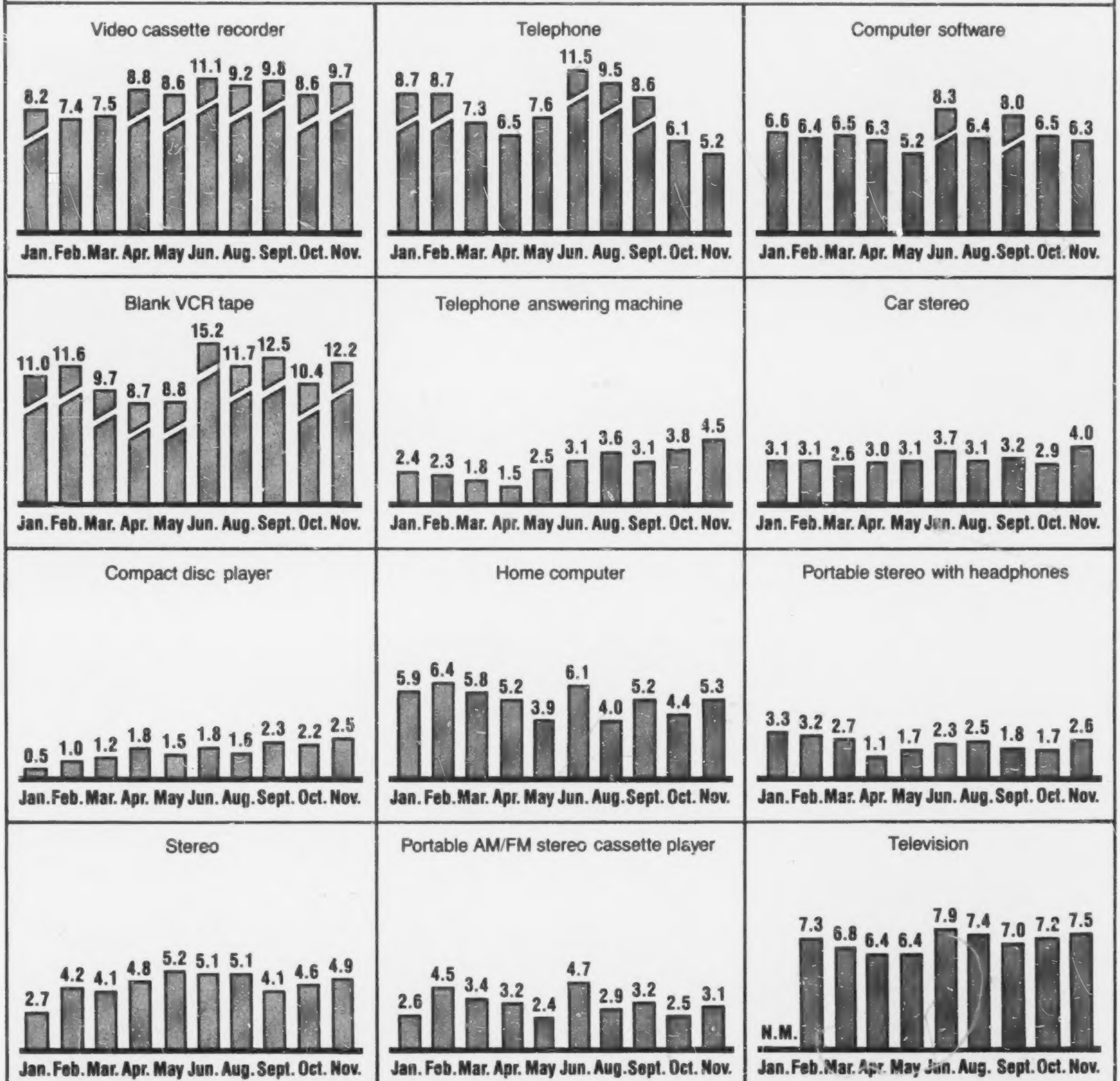
For the fourth consecutive month, the number of households that say they will buy a telephone has dropped. In the November MarkeTrends survey, 5.2% of those polled report that they intend to buy a phone in the next year.

The most recent reading is the smallest number since the December 1982 poll where 2.5% said they expected to purchase a telephone. Of the 12 consumer electronics categories tracked by MarkeTrends, phones now rank sixth in consumer interest. As recently as June, telephones ranked second.

However, telephone answering machines are picking up some of the slack. The Novemeber MarkeTrends study shows 4.5% of households polled saying they expect to buy a telephone answerer within the next year. This marks the second month of increasing intent-to-buy and the highest reading of consumer interest in answering machines in five years of MarkeTrends polling.

Also turning in record highs are car stereos with 4% of households reporting they expect to buy in the next year, and compact disc players with 2.5% saying they intend to buy. ☐

*1985 Consumer Buying Intentions**



*% of households might buy

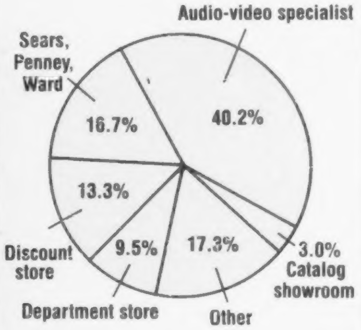
N.M. = Not measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Brighter picture for console TVs

A CSA poll shows 32.1% of households who intend to buy a TV want a console.

Where did you buy your last television?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Are console televisions poised for a comeback? Preliminary MarkeTrends research points in that direction. In the November poll 32.1% of those households which expect to buy a television in the next year report that they intend to buy a console. This compares to the 24.3% who said they wanted a console set in the February 1985 survey.

Though the preliminary nature of the data precludes an absolute conclusion, the trend in the consumer poll throughout 1985 has been toward greater consumer interest in console sets.

On the average, consumers say they will pay $510 for their new set, down marginally from the February reading of $537. RCA (23.4%), Zenith (21.3%) and Sony (18.1%) also remain the top three brands consumers say they will be buying.

Audio-video specialists and appliance stores take the largest retail market share for television with 40.2% of sales, according to the poll. Sears, Penney and Montgomery Ward take another 16.7%, followed by discounters (13.3%), full line department stores (9.5%) and catalog showrooms (3%).

Reflecting the promotional nature of the marketplace, 76.3% of the households who have bought a television report that they paid a sale price. ☐

Home computers: IBM gains share

The market for low-priced home computers is drying up. In the November MarkeTrends poll the average price consumers expect to pay for a computer has risen to $1,511. For comparison, in August 1984 consumers anticipated paying an average of $1,152.

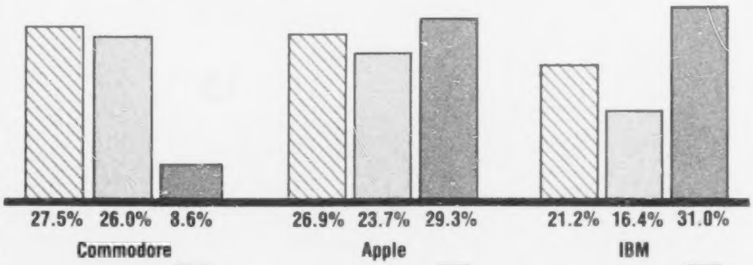
The potential for the low end of the market is shrinking. In the latest survey 26% of respondents say they want a computer priced under $500 compared to the 30% who anticipated spending less than $500 in the study 15 months ago.

Commodore stands to become one of the biggest losers if consumers follow through on their stated buying plans. In the November poll only 8.6% of those who expect to buy a computer say they will buy a Commodore. This represents a 67% drop for Commodore.

As the market turns away from low-priced home computers and toward higher priced personal computers, the big winners in the MarkeTrends survey are IBM and Apple. In the November study 31% say they expect to purchase an IBM computer, while 29.3% report they intend to buy an Apple.

When asked where they would buy a computer, consumers choose specialty stores by an overwhelming majority. Of those who expect to purchase a computer in the next year, 43.5% say they would be most likely to shop one of the computer specialists. ☐

What brand home computer will you buy?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Blank video tapes are not all the same

How much difference is there among brands of blank videotape? A great deal, say consumers polled by MarkeTrends. More than 1 in 3 (33.8%) in this month's poll report differences among tapes. Only 13.8% say that all tapes are essentially the same.

Better picture and sound quality are the variations noted by 71% of those answering. Better quality in general is mentioned by 31%.

But the perceived differences among videotape brands may disappear as consumers gain more experience. Among those who already own a VCR, over 1 in 5 (21.9%) say there is no difference between tapes. Only 1 in 20 (5.4%) of consumers who have yet to buy a video cassette recorder thinks all tapes are of equal quality.

What is the difference between a good brand video tape and a lesser brand?

Better clarity/sound and picture	70.9%
Better quality	30.9%
Good brand can be taped over	12.7%
Generic brands don't last	7.3%
Brand may have effect on equipment	3.6%
Low noise	1.8%

Totals more than 100% due to multiple responses
Source: *Chain Store Age*/Leo J. Shapiro & Associates

The fastest-growing brand of blank videotape, according to those in the most recent poll, is simply "name brand." When asked what brand of tape they want, 14.2% in the November MarkeTrends survey respond "name brand" without specifying a particular tape manufacturer.

Otherwise, consumer brand preferences remain unchanged from the June survey. TDK tops the list, chosen by 13.4% in the study, followed by Sony (12.6%), Scotch (11.8%), Maxell (11%), Kodak (7.9%) and Memorex (7.1%).

When asked why they would choose a particular retail outlet when buying blank videotape, consumers say that price and discount are the most important criteria in making their decision. Over 3 in 5 consumers say price decides where they shop for blank tape. ☐

In the niche of time

"You can't do that!" How many times have we all heard that phrase? In business, as well as in our personal lives, we have all encountered rules of the game which we are told just cannot be violated.

Electronics retailing is no different. We are told that superstores are the only way to profit in this business, that independent dealers and general merchandisers are the wave of the past.

We are also told that fierce price promotion is, regrettably, a fact of life which somehow we all must learn to live with. Everyone complains about it, but nearly everyone participates in continuing the practice.

Certain product categories, we are told, are no longer profitable. Take your choice: home computers, software, video games, or even video cassette recorders. It is not hard to find at least one pundit who will tell you that you just cannot do that.

But you can. Apparently, no one ever told Miami-based Beyond president Sender Rosen that an independent retailer selling at manufacturer's suggested retail price or above, and operating tiny 180-sq.-ft. stores could make a profit in electronics retailing.

If anyone ever did tell Rosen, it is a good thing he did not listen. This year he will average sales approaching $2,000 per square foot with margins better than 40%. *Chain Store Age* profiles Rosen's Beyond chain in this month's issue.

You cannot make a business out of selling discontinued Texas Instruments, Timex and Atari computers, can you? Everyone knows that retailers are having enough trouble selling even more up-to-date systems, no less yesterday's has-beens.

Take a look at this issue's story on what Philadelphia-based Clover is doing with the supposedly out-dated machines, and you will see still another of life's cliches fall.

Proliferation of electronics superstores means that general merchandisers can no longer compete effectively. The only problem with this one is that no one told Sears. Next month *CSA* will profile just how the nation's largest retailer of electronics does it. And does it profitably.

The point of all this is not simply, "Rules are made to be broken." There are still quite a few retailing rules which abandoning would mean courting disaster. Rather, the common thread which runs through Beyond and Clover and even Sears is niche retailing.

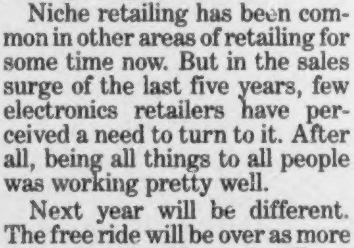
Each has chosen a specific customer base and merchandises specifically to it. Beyond's customers are primarily women, so it assorts to fashion and style. Clover is cashing in on that segment of the computer market left behind in the scramble to higher price points. Sears, of course, is mining the great middle.

Niche retailing has been common in other areas of retailing for some time now. But in the sales surge of the last five years, few electronics retailers have perceived a need to turn to it. After all, being all things to all people was working pretty well.

Next year will be different. The free ride will be over as more and more general merchandisers and independents find themselves going head-to-head with superstores.

For most, trying to compete on assortment will be impossible. Competing on price will be suicidal. The only logical alternative will be to choose a specific market niche and assort heavily to it.

—Rick Gallagher



APPLIANCE MIX: NARROW AND DEEP EQUALS PROFITS

Retailers are seeking ways to wring bigger profits out of small appliances. Travel, cordless rechargeables, and Eurostyled products are boosting margins.

No longer content to just put small appliances out at keen prices as a traffic lure, retailers are seeking ways to wring greater profits out of the category.

And although the thrust of the department will always be "quick turnover," says S. E. Nichols traffic appliance buyer Bernie Weiler, retailers are discovering they can get greedy with margins.

They are doing so by buying narrow and deep, creating travel sections promoting more profitable travel appliances, adding Eurostyled goods which typically yield margins twice as high as standard fare, buying more sku's on a direct basis and toying with the new rechargeable, cordless products.

Small appliances buyers are also getting shrewder, demanding more advertising money, strikingly unique goods and improved pricing structures. As it stands now, most retailers are able to snare enough advertising money from vendors to foot the cost of advertising small appliances.

These moves were triggered by the drastic erosion of margins in the already bare profit category.

"Right now," concedes Tom Kieckhafer, vp sales and merchandising for West Bend, "there is a terrible slide in profits caused by price erosions. The competitiveness is driving prices down."

Rampant price reductions have altered the complexion of the business as department stores, discounters and catalog showrooms battle for limited traffic appliance dollars. And now, one buyer adds, traditional outlets are facing stepped up competition from wholesale clubs. "They sell products," he laments, "only 3% above their cost—try matching that."

Price reductions have heated up competition among all levels of retailers.

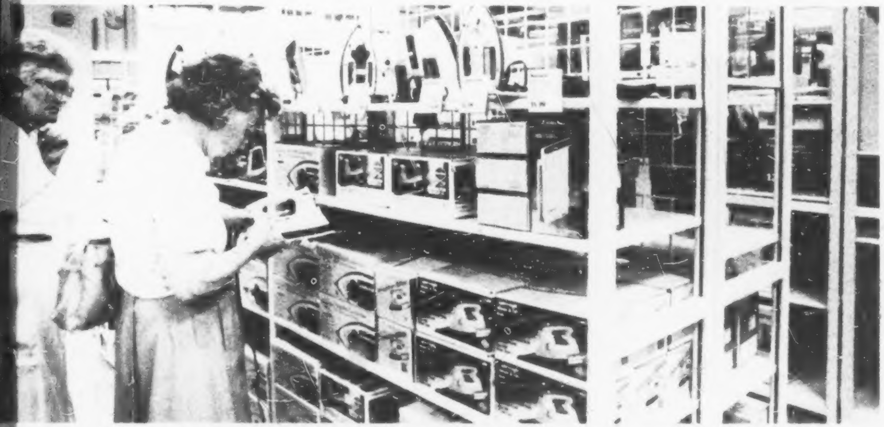
Punctured profits: The situation has hurt everyone. Electrics (including small appliances) contributed 35% of total housewares volume in 1983 vs. only 33% for 1984, according to the National Housewares Manufacturers Association. In the same year, sales per square foot dropped from $128 to $120 for department stores and $115 to $112 for discounters. Margins decreased from 22.5% at department stores to 20.9% and from 18% in discounters to a paltry 16%. Even more troublesome, inventory turns were flat in 1984, so retailers could not offset dwindling profits with elevated volume.

This year it became clear the industry needed to pull itself out of the doldrums. Instead of debuting "goofy, unneeded items," says one supplier, vendors got savvy. The new launches are items like "smart irons," combination blenders/can openers and downsized food processors. Color is becoming important and companies such as Hamilton Beach are adding fashionable grid patterns to kitchen appliances.

Retailers are reacting by tossing out fringe items and moving back to more profitable basics that sell day in, day out. Gone from the shelves are exotic waffle makers, fondue pots and hotdog toasters. In their place are toasters, can openers, coffeemakers (the single fastest growing kitchen appliance) and irons. Even the once profitable food processor category has been trimmed now that retailers can no longer enjoy the plump margins the classification used to bring in.

Discounters say they are insisting on heavier co-op dollars and some department stores now attempt to take only items yielding gross margins of 30% and up.

"Competition is keen," says Joe Palmisano, sr. buyer for Caldor,



Shrewd advertising measures *were employed to offset eroded appliance margins.*

Appliance margins suffered in 1984

	1981	1982	1983	1984
Department stores	23.1%	22.1%	22.5%	20.9%
Discount stores	20.0	17.4	18.0	16.0

Source: *Chain Store Age* research

"and in times of impoverished margins you need to buy narrow and deep."

According to Palmisano, Caldor is cutting back on certain goods and going after the better products its customers want. That may mean Caldor is not everything to everyone, but it does insure more comfortable returns, suggests Palmisano.

The space freed up by the buying squeeze gives retailers the options of adding under-the-cabinet items, new chic Eurostyles, travel goods and rechargeables.

The move to group u-t-c products together originated in department stores and has now been cultivated by the best discounters like Caldor and K mart. Department stores, seeing their ploy copied, are now turning to upscale u-t-c offerings such as Toshiba's $210 coffeemaker.

Although u-t-c items have stirred up sales of kitchen appliances, the trend is not a panacea. Most experts predict u-t-c sales will settle in at a 10% to 15% share of each respective market.

The European brigade: Department store sources at Lazarus and Robinson's predict the invasion of the Europeans may be the next wave in small appliances. The southern California market where The Broadway, Bullock's, Robinson's and May Co. all butt heads, has been especially competitive.

The May Co. has traded up to unique suppliers who can bring in impressive profits. For Robinson's, the ploy to draw shoppers has been to add the trendy Vivalp line—a line which offers double the gross of typical appliances. Still others are turning to Rowenta (now distributed by Schawbel) and featuring a very European flair.

Schawbel is also bringing out a line of European-inspired appliances for mass outlets called Europa Design. Although the company claims there is a niche for these items on discount shelves, some competitors fear the items could cheapen the image of Eurostyle (see related story).

Braun continues to get its products into broader distribution although some retailers are not convinced they need it. Says one discounter, "I could have Braun in a minute—their trucks are circling my warehouse daily."

Cordless craze: While some discounters may be shy to stock the upscale designs, most are venturing into cordless. "I say cordless will be the next phase," predicts K mart's Dennis Dorn.

Black & Decker, Sunbeam, Hamilton Beach, Norelco and Deni head the list of major sources vyng for what most predict will be a $500 million cordless business. According to Ken Homa, vp marketing household products at Black & Decker, the cordless business is just what the industry needed.

"For years suppliers copied one another and did not debut anything new. Cordless is something customers want," he adds.

But the same risk—product proliferation—is already threatening the cordless category and even Homa admits retailers will not be likely to duplicate inventory on cordless goods.

The bottom line? Retailers say the winners will be those who got into it first and who manufacture products which really need to be cordless. One new wrinkle in cordless getting attention is Schawbel's announcement it will license its ThermaCELL butane technology to other cordless areas. ☐

Sales in travel category take off

Department stores and discounters are creating travel sections, sparked by the success of travel appliances.

Travel irons, portable steamers, voltage converters and compact personal care items are providing a passport to "explosive" sales for some retailers and "booming" successes for manufacturers.

Many retailers and all manufacturers agree that the product category performs best in a section of its own. There, impulse buying is encouraged and consumers shopping for a single item can be exposed to complete product lines that could otherwise have been overlooked if scattered throughout the housewares department.

A few discount store chains are experimenting with 4-ft. sections or endcaps, but it is department stores that have made the early commitment. The best example of a department store travel section is at Dayton Hudson, where an entire travel department was created in mid-September to provide one-stop shopping for its customers.

Diane Nyquist, senior luggage buyer, says Dayton Hudson enjoyed

November to begin strong Yule season

November should kick off a strong Yule for the housewares category, according to MarkeTrends data. Consumer buying intentions are up in 8 of the 12 categories tracked by *Chain Store Age*/Leo J. Shapiro & Associates.

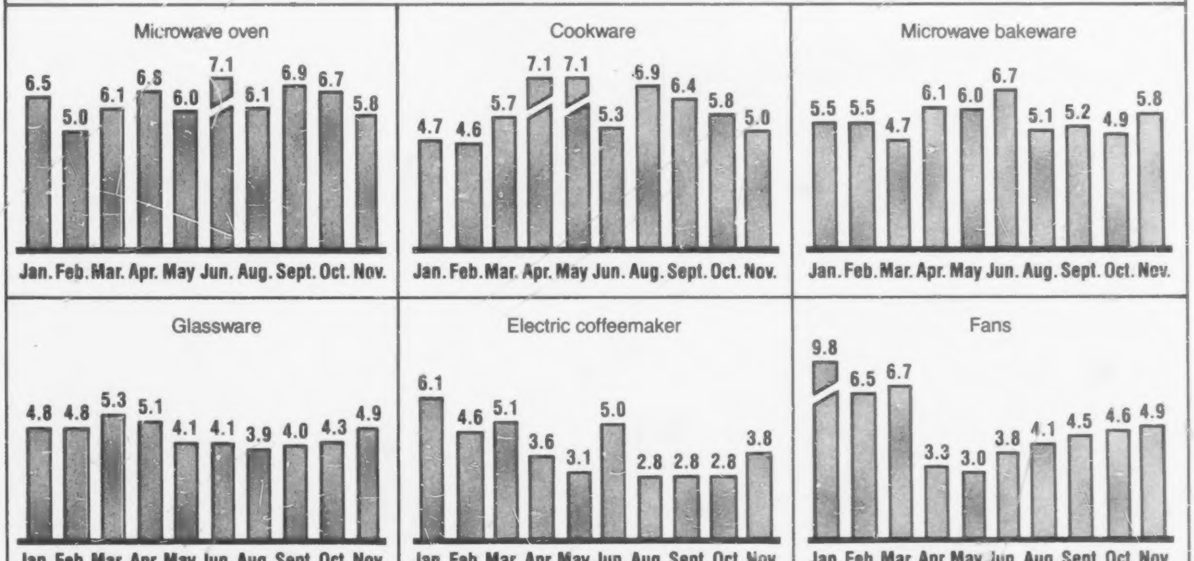
One note of caution, however. Sales remain sluggish in two key housewares groups: cookware and microwaves. Microwave ovens—the best Christmas item in 1984—are not as high on shoppers' lists this year as retailers would like. Just under 6% of the households polled have plans to buy a microwave within the next 12 months.

The most promising categories, according to the latest poll, are electric coffeemakers and cutlery. Almost 4% of those surveyed have plans to buy an electric coffeemaker. And, it is evident the holidays are near with 3.4% of those polled planning a cutlery purchase.

Retailers should enjoy cheery sales of microwave bakeware, glassware, fans, food processors and clocks.

The upturn in purchasing intentions for appliances is especially promising news, retailers say, because the biggest chunk of that business is done in the fourth quarter. ☐

*1985 Consumer Buying Intentions**



*% of households might buy

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Big 3 are losing toaster oven sales

***Discounters and department stores** are gaining on the Big 3 in toaster oven sales.*

Shoppers often think of Sears, Montgomery Ward or J. C. Penney when in the market for a toaster oven. But, when it comes to actually plunking their money down for a toaster oven, many shift their purchases to either a discounter or department store.

Specifically, when *Chain Store Age*/Leo J. Shapiro & Associates asked members of households where they would buy a toaster oven, 29.4% named a discounter, 23.5% the Big 3 and only 13.7% a department store. But, when asked where their last toaster oven was actually purchased, shoppers named discounters 33.6% of the time, department stores 18.2% and the Big 3 a comparatively low 19.1%.

How much would you expect to pay for a toaster oven?

$35 and under	**38.5%**
$36 to $50	**36.5%**
$51 to $199	**23.0%**
Other	**2.0%**

Source: *Chain Store Age*/Leo J. Shapiro & Associates

These share numbers could reflect the fact that consumers are very brand-conscious when in the market for a toaster oven and Sears, Ward and Penney, for the most part, have stayed with house labels in the category. Over 50% of the *CSA* sample prowl the stores for the General Electric brand toaster oven. Another 17.5% look for a "brand name," 5% seek Sunbeam and another 5% want Toastmaster.

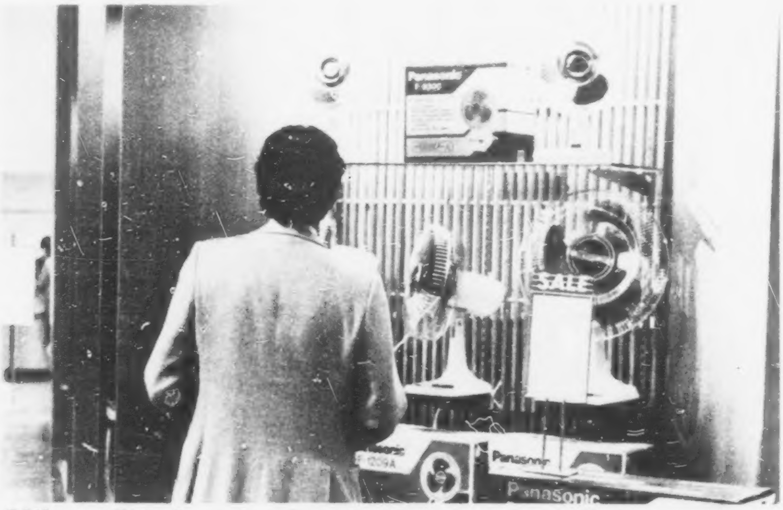
Despite competition from microwave, unique models such as the Vivalp wide-mouthed toaster or the new Toastie from Sanyo are keeping the category "exciting." Intentions-to-buy for November stayed even with the 2.4% of households indicating plans to buy within the next 12 months in the October sample. That level, in fact, is the highest recorded for the category since last January.

Shoppers are 'fans' of discount stores

Discounters continue to dominate the fan market with almost 30% of the households polled by *Chain Store Age*/Leo J. Shapiro & Associates indicating they would purchase a fan at a discount outlet.

Moreover, 32% of the households polled last bought a fan at a discount store. A hefty 12.8% of that business went to K mart, according to the research.

K mart excels in this category because shoppers primarily shop price and selection. Sales are crucial; almost 80% of the CSA poll purchased a fan on a reduced price.



***Of those polled who preferred** a style of fan, 16.2% chose table fans.*

Shoppers are puzzled when it comes to brands of fans. While 29.7% indicate a desire for General Electric, 27% say they want a name brand but are not specific as to which one.

The General Electric name, however, has grown in importance in the last four months. In June, only 19.9% indicated they desired G.E. This month, General Electric knocked off "store brand" as the most sought after fan.

Consumer style preference is evenly divided between ceiling and table fans.

At which store was your last fan bought?

Discount store	**31.7%**
The Big 3	**11.9%**
Department store	**11.5%**
Drug store	**6.0%**
Catalog showroom	**4.5%**
Hardware store	**9.6%**
Other	**24.7%**

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Microwave bakeware sales hot

Microwave bakeware is an example of those rare successful marketing campaigns for products consumers admit they do not even need.

Most consumers realize they do not need specific cookware designed for a microwave. Over 52% of the households queried by *Chain Store Age* said they knew they could use their existing cookware for a microwave oven. Yet, microwave bakeware sales are soaring and the category should hit $500 million in retail sales by year-end.

What is even more surprising is that only 24% of the homes surveyed indicated the cookware is a "great advantage" over standard cookware and 46% responded it was only "some advantage."

What type microwave cookware would you buy?

	Total answering	Own a microwave	
		Yes	No
Dishes	9.3%	8.0%	10.5%
Casserole dish	7.5	10.0	5.3
Bakeware/pie plate	6.5	6.0	7.0
Pots and Pans/cooking utensils	6.5	8.0	5.3
Corning Ware	2.8	4.0	1.8
Turntable	2.8	4.0	1.8
Platter	2.8	2.0	3.5
Large pan for roast	1.9	4.0	—
Bowls	1.9	2.0	1.8
Separated plates	1.9	2.0	1.8
Bacon rack	1.9	2.0	1.8
Other	54.2	48.0	59.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Confusing signals? Even retailers admit the category is an enigma, but most plan to increase footage.

Last June, discount stores were the outlet 34% of the sample said they would shop, with 27% selecting Sears, Montgomery Ward or J. C. Penney. This month, those numbers are reversed.

The outlook for this category? Retailers believe that even though consumers keep saying they do not need the bakeware, they'll keep buying it. ☐

Sears bids farewell to Counter Craft

Black & Decker's biggest challenge in incorporating General Electric appliances is convincing female shoppers their products work as well in the kitchen as in the garage. As our research from Leo J. Shapiro & Associates shows this month, shoppers still associate the Black & Decker name with quality tools and outdoor products.

This scenario resembles what is happening to Sears and its Counter Craft appliances. Sears, however, has found the transformation from tools to toasters just too tough and will shortly abandon its Counter Craft logo in favor of the Kenmore name, a brand familiar to most women.

"The Counter Craft name," explains national merchandise manager for housewares Pam Nelson, "grew out of the Craftsman tool line. But we've found women do not relate as much to that name as they do to the Kenmore label."

MarkeTrends data from *Chain Store Age*/Leo J. Shapiro & Associates confirms the Counter Craft label is not entrenched in consumers' minds. Although Sears scores very high in most housewares categories (as a place consumers would shop), few shoppers mention Counter Craft as the brand they would buy. In tools, however, Craftsman will often surface as a preferred brand.

The woman shopper is crucial for Sears' housewares department and it makes sense to lure her with a name she has grown to trust. Moreover, the debut Kenmore product will be one unique to the housewares business: a steel-encased, automatic shutoff iron (made by Sunbeam). This is the first steel-framed electronic iron and should appeal to a great deal of women who are leery of plastic body irons. A top-of-the-line offering, the iron will bear the Lady Kenmore name and debut as part of the Sears New Century program.

More Kenmore housewares products will be debuted based on inventory depletion. Eventually, all housewares private label will be Kenmore (the iron will be the only Lady Kenmore item at this time).

The move to abolish Counter Craft comes at a time when most industry sources expected Sears to implement more national brand programs. Sears is not ruling this out, but on a recent tour through the Vernon Hills, Ill., store with Nelson, the chain showed no great inclination to move toward brand names.

Sears appears to want to do it with the more profitable house brands—even if it takes a name change.

* * *

Sunbeam's Oskar is probably the cutest housewares product most shoppers have ever seen. What is more, it actually works well, is easy to clean and fun to use. I would be willing to pay almost (I said almost, I'm always looking for a deal) the full $89 suggested retail price. Yet, retailers insist on giving me such a great bargain that they put the Oskar out at $69. Even though it is below the buyer's cost, some hint they will have it out at $49.

Today's shopper has a good idea of what a product is worth and I would bet most would pay at least $75 for Oskar.

Oskar is cute . . . it deserves a higher price tag.

It is not just Oskar . . . retailers are cutting prices to the bone to build volume. Perhaps it is time the industry took a closer look at the true value of the products it is selling. When a product is truly unique, retailers need not give the products away. It may be a method to restore some lost profits.

—Faye Brookman

merchandise at the best price was the strategy."

Although Caldor buyers still attempt to get the best prices for merchandise, they now also work co-op dollars into their deals. While some vendors are a bit disgruntled at what appears to be department store tactics from discounters, Hannafin says these deals are worked to everyone's advantage.

"We don't want to hurt anyone," he says. "We want everyone to make money."

Apparently, the new three-pronged strategy is paying off in home textiles at Caldor. "We have had gross margin increases every month for the past four months," says Hannafin.

Moreover, he expects the home textiles division's volume to double by 1989. This would bring that total up to $144 million, according to *Chain Store Age* estimates.

And, Hannafin is not stopping here. Other department store-like changes are on the horizon but Caldor will not lose sight of its discount roots.

Home textiles is in the process of launching a custom department in hard window treatments. The company sent out its first mailing for this new department with its October bills.

Additionally, the division is refining planograms, as a test for the company. Surprisingly, this, too, is a first for Caldor.

Electronics kiosks are next for the discounter. The company plans to test some in-store electronics displays early next spring. Some may be used in home textiles. ☐

The recent *CSA* survey shows home textiles as a mature division of retail operations, with steady annual gains. Merchants search for new ways to boost yearly figures.

Survey: Buyers fight margin erosions

Retailers are experiencing "fair" to "very good" sales in home textiles this year, according to buyers responding to a recent *Chain Store Age* survey.

Discounters and variety stores are faring better than department stores. Three out of 4 mass merchants say sales are "good" or "very good" while 3 out of 5 department store retailers classify them only as "fair."

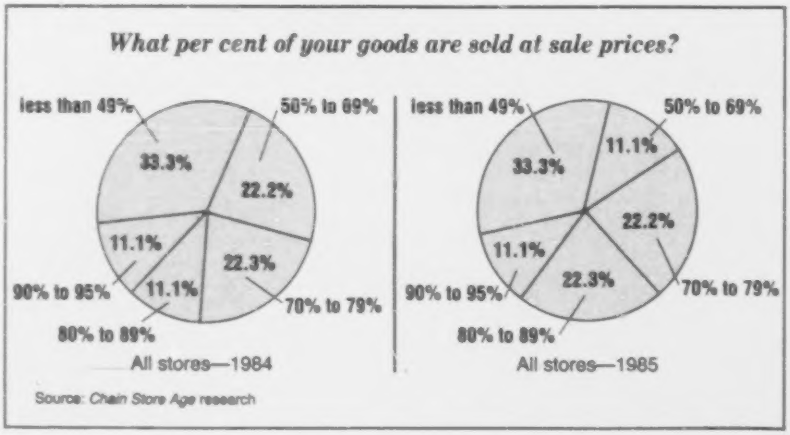
The average department store buyer responding to the survey worked for a company with 23 units and a sales volume of $275.6 million. The average mass merchant had 20 stores and a sales volume of $171.7 million.

At Wanamaker's, dvp home textiles William McCartney says, "We have had increases but not enough to cover our plans." Another department store attributes the "fair" year to a "lack of consumer demand," while a third says, "Very competitive. Pricing is very important and gross margins are hard to keep up."

Moreover, 2 out of 3 retailers expect home textiles sales to increase this year over '84 tallies. Department stores anticipate moderate gains (between 7% and 8%) while mass merchants are more optimistic, looking for 10% to 12% rises.

Overall, the survey indicates that home textiles is a mature division of

***Two of 3 retailers** polled expect 1985 home textiles sales to increase over '84.*



What per cent of your goods are sold at sale prices?

Source: *Chain Store Age* research

Solid colors bold for 1986

Most retailers are happy with 1985 towel mixes, notes a recent *Chain Store Age* buyer survey. Their heaviest investments are in the solid color, unsheared towels and they will carry forth similar commitments into 1986.

However, department stores are more likely than mass merchants to alter next year's mixes. One out of every four department stores say they have planned a change while no mass merchant has.

The most prevalent change will be a move toward more fashion items and away from the basic solid color towel. This runs contrary to the general survey findings in which department stores are minimizing risks in fashion merchandise.

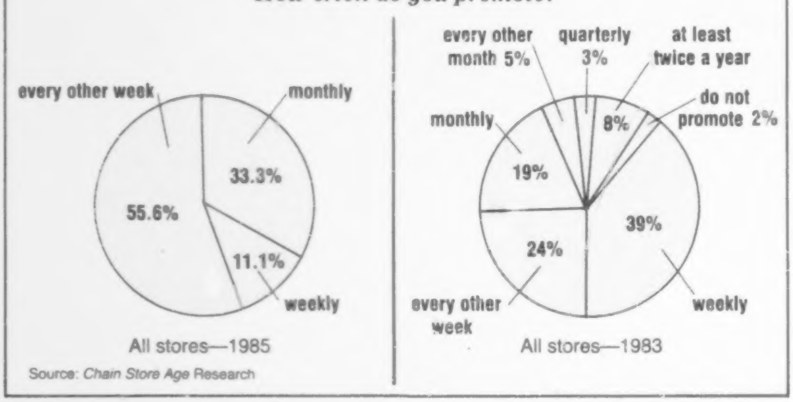
Outlining his plans, one department store exec says, "Sheared will increase due to fashion looks; jacs [jacquards] will remain or decrease due to stronger looks in shears and terry will remain the same or show a very slight decrease."

Currently, department stores devote between 69% and 85% of their mixes in unsheared, from 10% to 25% in sheared and from 0% to 13% in other styles including jacquards and embellished. Their best-selling brand is Fieldcrest and the second-best is Martex.

Mass merchants feature 70% to 95% of their towels as unsheared. The balance is in sheared with an occasional jacquard or embellished line.

Hands down, the mass merchant's No. 1 brand is Cannon. The second-best seller is less defined. Merchants mentioned St. Mary's, Tastemaker and Westpoint Pepperell most often as their second choices.

How often do you promote?



Source: *Chain Store Age Research*

retail operations, with steady annual gains. As a result, merchants are constantly searching for new ways to better the yearly figures. The majority of those polled report upgrading their divisions in some way.

Mass merchant comments range from "small upgrade in price in the category of curtains and rugs" to "We have brought in more quality goods than in the past, but we have put a lot of effort into new displays and fixtures."

Department stores are upgrading even more. One says, "Increased taste level through influx of better goods in mid- to upper-price points." Another notes, "Better grouping. Increased use of mix-and-match and total coordinated looks [not necessarily matching]. More space devoted to display and some 'like' environments. Overall mix of pricing is pretty stable."

One result of the upgrading is that mass merchants are generally adding sku's, as opposed to two years ago, when a *CSA* study found little change in sku numbers. Two out of every 3 mass merchants increased sku's while 1 out of 3 decreased the number. Of those mass merchants making changes, their midprice points were most affected. The majority increased the number of sku's at the midprice points.

Department stores were more apt to cutback their sku's. Two out of 5 decreased the number, 2 out of 5 more stayed the same, and 1 in 5 added sku's.

Reductions came mostly at the lower price points, though 1 out of 3 made cuts at the upper end. Like the mass merchants, all departments that increased sku's did so at the midprice points.

The survey also found that department stores are focusing less on fashion products today in home textiles than previously, perhaps hinting at a more cautious attitude. This year's study shows basics accounting for 75% to 80% of the mix vs. 65% in '83.

Still, department stores are more fashion-conscious than mass merchants. The majority of mass merchants report 70% to 100% of their mix as basics, similar to the '83 survey results.

The survey found a majority of retailers carry imported goods; either brought in directly by their companies or indirectly through importers. Moreover, buyers note they will be increasing imports during 1986. Department stores are most active in importing both directly and indirectly.

Two out of every 5 department stores directly import 1% to 5% of their merchandise and another 1 in 5 imports more than 20% of the goods. Approximately 40% do not directly import at all.

For the mass merchant, a whopping 75% of those polled do not directly import any merchandise. Only 1 in 4 imports from 1% to 5%.

When it comes to indirect imports, 75% of the mass merchants participate. Half the total group indirectly imports approximately 10% of their merchandise while another 25% indirectly import 5%.

All department stores that responded do some direct importing also. Two out of 5 say it accounts for 1% to 5% of the mix, 20% say it is 10% to 19% and another 40% say it is 20% to 25%.

Promotions are less frequent now

than two years ago, but more merchandise is sold at promotional prices (see charts). For example, 60% of all department stores promote every other week, according to this year's survey. In 1983's study, that figure was 30%. Weekly promotions are run by 20% of department stores this year vs. 50% in '83.

A similar pattern emerges at the mass merchants. This year's study shows 50% promote every other week, and another 50% monthly. In '83, however, 40% promoted weekly; 23% every other week; 13% monthly; 3% every other month; 7% quarterly; 10% twice a year; and 4% not at all.

At department stores, 40% say that between 70% and 79% of all merchandise is sold at promotional prices. Another 40% say that figure is as high as 80% to 89%. The remaining 20% say it is 90% to 95%.

Last year, by contrast, 20% of department stores did 50% to 69% of their business at promotional prices, while 40% did 70% to 79% at those prices, 20% did between 80% and 89% and another 20% between 90% and 95%.

Although mass merchants were not as promotional as department stores, they too were more promotional in '85 vs. '84. One in 4 says less than 30% of this year's merchandise is being sold at sale prices, another 50% say this figure is between 30% and 49% and another 25% say it is between 50% and 69%.

In '84, half the mass merchants surveyed said less than 30% of goods were sold on promotion; 25% said it was between 30% and 49%, and another 25% said it was between 50% and 69%.

As one might expect from these results, gross margins are not changing greatly. Half the mass merchants report gross margins of 31% to 35% while 3 out of 5 department stores note margins of 36% to 40%. In the '83 survey gross margin for the majority of mass merchants was less than 35%, and for the majority of department stores it exceeded 36%. ☐

Investments pay off in kitchen textiles

Kitchen textiles is becoming more promotional, but with proper funding, business continues to grow.

***At the mass merchant** level, ensembles are used to lure better customers.*

"Kitchen textiles have reached a mature level in the lifecycle of a product. The sales increases which retailers have had in the past 10 years are no longer apparent with some mass merchants," says Bill Vojta, marketing vp for R. A. Briggs.

A Midwest discounter notes that the margins have been stretched as far as they can go and as a result, the business is becoming a highly promotional one.

But several other industry sources, particularly department store execs disagree. They say that for those who continue to commit to the category by properly funding it, the business continues to grow.

Additionally, they note that despite some margin pressures the category is not as promotional as most other home textiles. Kitchen textiles is promoted on an average of once a month. Most other home textiles are promoted twice a month or weekly. Since it is less promotional, the margins are better (between 39% and 42%) and so are the turns (three to four times a year).

"Kitchen textiles is one of those classifications that doesn't have brand identity and doesn't need a lot of advertising. . . . With a modest investment, off a modest space, it's a very profitable business for retailers," says Dick Gamborg, vp of sales for Barth & Dreyfuss.

A Midwest department store buyer adds, "There's a lot opportunity left in the business." She explains that the trend is toward merchandising key items other than basics or ensembles. For instance, vinyl party aprons such as one that features a Martini glass with floating ice cubes and a see-through, lighted Christmas tree (both retailing for $15) do very well at her stores. She is also testing 100% cotton towels, hoping to lure the natural fibers shopper.

"Kitchen textiles are becoming more sophisticated. It's not just solid colors anymore," says an East Coast department store exec. Designs such as Boston Warehouse animal mitts are catching fire now when they didn't sell well one to two years ago. Her strategy, like the Midwest buyer, is to capitalize on items like these by getting in and out of them quickly. "This keeps the business alive and lively," she notes.

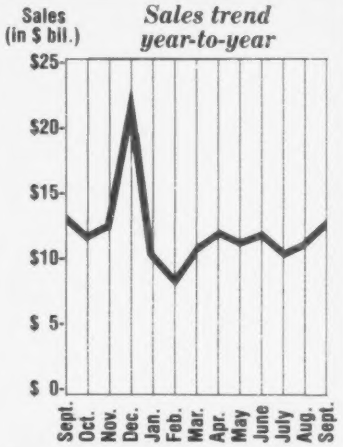
At the mass merchant level, Briggs is trying to stimulate sales with its new sophisticated licensed line, The Betty Crocker Kitchen Collection. The company is banking on the growing enthusiasm for corporate licensing and the strong influence of the Betty Crocker name. Vojta says, "The rules of merchandising continue to change, but the necessity of good design and quality remains the same." Early retailer response has been favorable.

In the stores, several mass merchants are aggressively looking to strengthen their businesses by seeking the better customer through ensembles. Ensembles generally consist of three or four items (such as a dish towel, potholder and mitt), all carrying the same

Sales increased by meager 6% in Sept.

Weak September sales may have retailers wondering if their Christmas stockings will once again be brimming with inventory and short on earnings. The 26 chains tracked by *Chain Store Age* posted a meager 6% sales increase in September.

Even that figure overstates retailing's health, as many chains are operating significantly more units than they did a year ago. Others, most notably Rocky Hill, Conn.-based Ames which acquired G. C. Murphy earlier this year, are overstating 1985 results by not including the acquired chain's results in last year's totals.



Composite of sales trends showing month-to-month sales volume for the 26 retail companies tracked by *CSA*.

Still, all the news may not be bad. The *CSA* General Merchandise Buying Index, an indicator developed exclusively by *CSA* to track consumer intentions to buy general merchandise, rose 5% this month from a reading of 114 in October to 120 in November.

September's biggest sales losers were the Big 3 catalog chains. Sears U.S. merchandising sales dipped 0.6% from a year ago, with J. C. Penney slipping 0.5% and Montgomery Ward's figures sliding 2.8% for the month. Year-to-date sales for the three chains are running only even with last year's results.

Among the department stores, the picture looked brighter, but only on the surface. Dayton Hudson posted an 11.5% monthly gain, but company officials admitted that even that figure was below plan. The lion's share of Dayton Hudson's sales gains came from its Target discount division, and not its department stores.

The same relationship held true at The May Co., whose Venture discount stores posted a 6% sales increase, compared to the 2.6% gain reported by its department stores. On a store-for-store basis, however, Venture sales increased only 0.5% while the department stores gained 2.2%.

Bentonville, Ark.-based Wal-Mart continues to buck the soft sales trend. Volume for September was 29% ahead of the same month a year ago and 5% ahead on a store-for-store basis. Comparable-store sales for the eight month fiscal year are 9% above 1984 levels.

September sales: still soft

		Sept. Sales*		Stores		8-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,8]	− 0.6	2,339,400	2,353,500	795	804	16,172,800	16,015,100	+ 0.1
Penney[8]	− 0.5	1,075,000	1,080,000	1,978	2,015	7,425,000	7,381,000	+ 0.6
Ward[1,7]	− 2.8	423,929	435,994	316	323	2,813,795	2,900,495	− 3.0
Federated[5,7]	+ 3.1	725,300	703,900	471	446	4,885,300	4,587,000	+ 6.1
Dayton Hudson[7]	+ 11.5	724,500	650,000	1,181	1,127	5,063,400	4,410,000	+ 14.8
May Dept. Stores	+ 5.5	477,400	452,600	1,997	1,679	3,065,300	2,769,600	+ 10.7
R. H. Macy	+ 7.4	406,900	379,000	96	91	2,657,600	2,514,600	+ 5.7
Associated Dry Goods	+ 9.2	390,600	357,000	336	331	2,581,000	2,325,000	+ 11.0
Allied Stores	+ 5.8	388,500	367,200	633	584	2,451,700	2,346,400	+ 4.5
Carter Hawley Hale[7]	+ 7.5	351,500	327,000	284	259	2,336,100	2,128,000	+ 9.8
Mercantile	+ 7.5	174,987	162,853	80	79	1,120,846	1,010,014	+ 11.0
K mart[6]	+ 2.2	1,911,000	1,870,300	2,176	2,163	13,558,100	12,380,700	+ 9.5
Wal-Mart	+ 28.9	628,000	487,000	826	704	4,950,000	3,783,000	+ 30.8
Woolworth[8]	+ 7.6	342,700	318,500	N/A	N/A	2,290,200	2,125,700	+ 7.7
Household Merch.[2,3,7]	+ 3.0	495,331	483,324	3,537	3,679	3,513,154	3,390,506	+ 3.6
Zayre[4]	+ 18.4	344,000	290,600	920	805	2,280,400	1,890,400	+ 20.6
Bradlees	+ 13.5	143,000	126,000	155	130	887,000	809,000	+ 9.6
Rose's	+ 8.5	64,404	59,363	200	191	599,559	551,402	+ 8.7
Ames	+ 110.1	170,800	81,300	562	N/A	830,400	491,500	+ 68.9
Jamesway	N.C	41,134	41,312	87	81	308,304	278,076	+ 10.9
Heck's	+ 14.9	51,700	45,000	162	122	323,100	297,200	+ 8.7
Melville	+ 12.7	462,200	410,000	5,492	5,212	2,975,105	2,666,547	+ 11.6
Tandy	+ 16.0	238,432	205,451	N/A	N/A	1,778,903	1,636,653	+ 8.7
Edison Bros.	+ 3.3	76,000	73,600	N/A	N/A	561,700	556,500	+ 0.9
The Gap	+ 29.1	65,600	50,800	650	611	376,000	312,000	+ 20.5
Circuit City	+ 20.8	45,300	37,500	96	N/A	356,900	265,400	+ 34.5
Total & Averages	+ 6.0	12,557,586	11,849,073	—	—	86,161,712	79,821,787	+ 7.9

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 1,583 franchise stores (vs. 1,651 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 326 Zayre stores (vs. 279 a year ago), 422 Hit or Miss stores (vs. 388) and 172 T. J. Maxx stores (vs. 138). [5] Excludes supermarket sales. [6] Store count is for K mart stores only. [7] Continuing operations only. [8] Domestic operations only.

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A full-issue study

Chain Store Age
GENERAL MERCHANDISE TRENDS
December 1985

BILL BASS' SEARS

Can the family store survive?

TWO DOLLARS PER ISSUE

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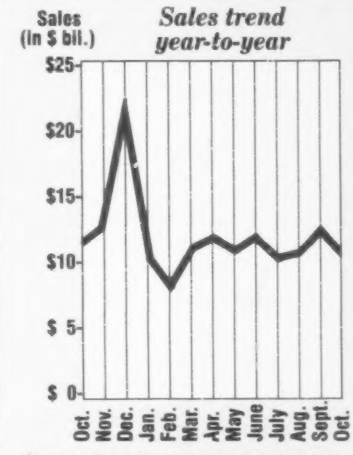
No rhyme or reason to October results

Consumers went on a spending spree in October, saved next to nothing and ran up near record levels of personal debt. But they bought automobiles, not general merchandise or apparel. The 26 chains tracked by *Chain Store Age* turned in sales a disappointing 8.2% ahead of last year's weak results.

Even though inventories are reported significantly leaner than last Christmas, if consumers do not start buying more at major retailers soon, another round of preholiday markdowns will be in the making.



Composite of sales trends showing month-to-month sales volume for the 26 retail companies tracked by *CSA*.

There was little rhyme or reason to distinguish the month's winners from its losers. Sears U.S. Merchandising sales increased a paltry 2.8%. J. C. Penney store-for-store results advanced only 1.5%, while Montgomery Ward sales continued to slip.

Wal-Mart comparable store totals moved up 8%, but were eclipsed by 18% same-store gains at Bradlees and a 12% hike at Rocky Hill, Conn.-based Ames. K mart, on the other hand, turned in only a 3.9% overall increase, but comparable store results dropped 2.6%.

Specialty stores turned in the month's most consistently positive results. Dayton Hudson's Lechmere division outpaced the rest of the diversified chain, posting double-digit gains on a store-for-store basis. Tandy's U.S. Radio Shack division recorded a 23% jump, with stores in existence for more than a year rising 15%.

Circuit City, citing weakness in major appliance sales, announced volume up 12% for the month, but comparable store results holding only even with last year's performance.

October sales disappointing

		Oct. sales*		Stores		9-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,8]	+ 2.8	2,022,100	1,967,200	796	806	18,194,900	17,982,400	+ 1.2
Penney[8]	+ 1.6	910,000	896,000	1,978	2,017	8,335,000	8,227,000	+ 0.7
Ward[1,7]	– 1.0	342,400	345,700	316	323	3,156,200	3,246,200	– 2.8
Federated[5]	+ 4.9	615,500	586,800	486	451	5,500,400	5,173,800	+ 6.3
Dayton Hudson[7]	+ 11.7	636,700	569,900	1,204	1,139	5,701,600	4,980,000	+ 15.0
May Dept. Stores	+ 5.9	372,500	351,900	2,013	1,771	3,438,000	3,121,500	+ 10.0
R. H. Macy	+ 9.2	342,500	313,700	95	96	3,000,500	2,828,300	+ 6.1
Associated Dry Goods	+ 6.1	324,600	305,900	341	333	2,906,000	2,631,000	+ 11.0
Allied Stores	+ 5.1	315,600	300,400	633	590	2,768,000	2,646,800	+ 4.6
Carter Hawley Hale[7]	+ 7.4	324,700	302,300	297	266	2,660,700	2,430,300	+ 9.5
Mercantile	+ 6.1	130,962	123,402	80	79	1,251,808	1,133,416	+ 10.4
K mart[6]	+ 3.9	1,528,100	1,470,500	2,176	2,165	15,086,200	13,851,200	+ 8.9
Wal-Mart	+ 34.0	727,000	544,000	834	733	5,677,000	4,327,000	+ 31.0
Woolworth[8]	+ 3.7	256,000	247,000	N/A	N/A	2,546,000	2,372,000	+ 7.3
Household Merch.[2,3,7]	+ 1.6	404,600	398,300	3,540	3,675	3,918,700	3,788,800	+ 3.4
Zayre[4]	+ 20.0	301,900	250,900	930	822	2,582,200	2,141,400	+ 21.0
Bradlees	+ 34.0	141,000	105,000	158	130	1,028,000	914,000	+ 12.0
Rose's	+ 9.8	67,943	61,860	205	194	666,817	613,262	+ 8.7
Ames	+ 121.0	138,100	62,500	455	179	968,500	554,000	+ 75.0
Jamesway	+ 14.5	42,883	37,460	90	83	351,243	315,536	+ 11.3
Heck's	+ 20.9	43,400	35,900	163	125	366,500	333,100	+ 10.0
Melville[7]	+ 14.0	364,100	319,900	5,517	5,244	3,339,205	2,986,447	+ 11.8
Tandy	+ 17.7	263,800	224,154	N/A	N/A	2,042,703	1,860,807	+ 9.8
Edison Bros.	+ 4.0	61,900	59,500	N/A	N/A	623,600	616,000	+ 1.2
The Gap	+ 38.7	48,000	34,600	658	613	424,000	346,600	+ 22.3
Circuit City	+ 12.2	45,000	40,100	101	N/A	401,900	305,500	+ 31.6
Total & Averages	+ 8.2	10,771,288	9,954,876	—	—	96,935,676	89,726,368	+ 8.0

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,623 franchise stores (vs. 2,745 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 327 Zayre stores (vs. 278 a year ago), 425 Hit or Miss stores (vs. 397) and 178 T. J. Maxx stores (vs. 147). [5] Excludes supermarket sales. [6] Store count is for K mart stores only. [7] Continuing operations only. [8] Domestic operations only.

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Conran's grows up with its customers

MarkeTrends debuts in Home Textiles & Photo/Camera

Chain Store Age

GENERAL MERCHANDISE TRENDS

JANUARY 1986

Electronics retailing's misunderstood giant

Bernard Appel, president
Radio Shack Stores

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great deal of merchandise on sale that your prices are too high," says Shulanksy. He says Ames now moves more TVs at a daily price of $299.99 vs. the old regular price of $369.99, with a price break of $270, without lowering margins.

Baltimore assault: The first market where Ames's will flex its new muscles with Murphy is Baltimore. This year Ames will remodel 15 Murphy units and five existing Ames.

It is interesting Baltimore was selected since it represents Ames's desire to make a go of it in larger cities instead of the smaller—50,000 and under—areas it has flourished in. Since 25% of Murphy's units are in areas over 50,000, it will be crucial for Ames's to succeed in Baltimore.

After Baltimore, Ames will slowly bring other markets on line. "It is not a race," says Tashjian, "they will judge Baltimore and adjust accordingly. The timetable should be to convert all stores within two to three years."

Once Murphy puts the finishing touches on Murphy, Ames's growth will settle back to 11% to 12% new stores per year. Growth is expected to stretch West rather than South, thus quelling any fear Ames would lock horn's with one of Gilman's mentors, Sam Walton. □

Nearly 90% of a recent sampling of retail executives agreed that retailing decisions would be more consumer-driven in the future than in the past.

Dept. Stores: Threats and opportunities

***Department store** are threatened by off-price stores.*

Edward S. Finkelstein, chairman/ceo of R. H. Macy Co., had little regard for the question. Asked at a press conference which type of retailer, an off-pricer or a promotional department store like Mervyn's, presented more of a competitive challenge, Finkelstein dodged the inquiry by saying that Macy's limits its concern to how it operates with no thought to how others perform.

Strategic planning—a process that requires exploration of the external, competitive environment—may be in vogue at the nation's department stores, but at least publicly is not admitted to at Macy's. Perhaps it is not needed, for, after all, Macy's San Francisco has enjoyed years of sales and earnings growth even as Mervyn's grew up in its backyard and off-price stores invaded its turf.

But Macy is far from unique, according to a survey of retail executives conducted by Walter K. Levy Associates, results of which will be presented at this month's National Retail Merchants Association convention in New York. The survey will be paired by Levy with responses from a followup poll of consumers.

Forty per cent of the 95 retailers responding to the survey, and 50% of the 54 department store executives, indicated that soft good-oriented promotional retailers such as Main-Street and Mervyn's constituted a major competitive issue to be faced over the next three to five years.

Off-price stores posed an even greater threat, with 46% of the total sample rating it of major significance and 48% of the department store respondents doing so.

Women's apparel specialty retailers were deemed the biggest challenge, while vertical retailing by manufacturers, as evidenced by Esprit or Coca-Cola's Fizzazz store, and upscale discounters like Bradlees and Target deeply worried no more than a fourth of the retailers.

Finkelstein's answer notwithstanding, most department store executives (57%) said their companies have formal strategic marketing plans. Another 28% said they planned to add such activities. Six out of 10 underwrite consumer/marketing research, with 24% planning to join the research bandwagon.

Yet, even with this research orientation, and the increase in the publicity given to the country's changing demographics, few retailers seem eager to tap the market of shoppers age 55 and over. Just 22% of the total said they currently target this group compared to 70% who

Why sales have been erratic

Overstoring	66%
Redundancy of approach by retailers	53%
Overreaction to competition's sales promotions	43%
Change in consumer psychology/purchase patterns	42%
Short-term economic conditions, weather	24%

Source: Walter K. Levy Associates

How to project a distinct company image

Improve quality of selling service	90%
Department/classification dominance	71%
Upgraded facilities	69%
Better point-of-sale service	67%
Fashion leadership	64%
More private label in noncommodity categories	52%
More exclusives in noncommodity goods	40%
Bigger visual display budget	43%

Source: Walter K. Levy Associates

***Specialty stores** report a more conservative approach to promotions.*

Major competitive issues over next three to five years

	Total retailers	Department stores
Specialty retailers in women's apparel	64%	57%
Off-price apparel stores	46	48
Promotional soft goods stores (Mervyn's)	43	50
Upgraded J. C. Penney	33	44
Direct marketing catalogs	29	24
Vertical retailing by manufacturers	25	24
Upscale discounters	21	26

Source: Walter K. Levy Associates

are wooing petites, 57% career/working women, 53% large sizes, and 24% yuppies.

As nearly 90% of the sample agreed that retailing decisions would be more consumer driven in the future than in the past it is expected that the more mature customer will become a more important target in the 1990's.

During last year's NRMA conference, attendees heard dire forecasts of flat women's apparel sales through 1990. Better than half (56%) of the total sample, and 65% of department stores retailers, disagreed. Most cited the jump in working women figures contributing to greater wardrobe need and greater available discretionary income, a growing trend toward wardrobe diversity by end use, and the influence of fashon cycles rather than demographic trends as reasons why apparel sales will remain vibrant.

Business, however, will not come without problems, stemming mostly from the continuance of off-price promotional activity. Unabated sales erode margins and change consumer purchase behavior, retailers said.

Despite the hazards, sale activity will not be phased out. Almost half (48%) of all department store execs forecast running considerably more off-price promotions more frequently.

Specialty stores and specialty store chains had a more conservative approach to sales. Just 2 in 10 predicted more frequent promotional sales.

Another major consequence of unrestricted sales promotion is the destabilizing effect on a store's image. Sixty-seven per cent of the retailers were very concerned that customers perceive little difference between most retailers' resources, assortments and merchandising approaches.

The tactic overwhelmingly favored by 90% of the respondents as a way to project a distinct company image is the improvement of selling services. Beyond that merchants are concentrating on classification dominance (71%), fashion leadership (64%) and upgraded stores (68%). ☐

HAVE VCRs FINALLY REACHED MATURITY?

As VCRs reach maturity, the effect of a horizontal sales path on the entire industry could be dramatic. However, maturation is not necessarily the retailer's foe.

This year will be the last year that video cassette recorder unit sales will grow, according to a special *Chain Store Age* MarkeTrends consumer survey.

Household penetration for VCRs has already hit 31.5%, and while the study shows that another 23.8% of households are saying they expect to buy a video cassette recorder one day, 44.7% of those interviewed report they do not ever expect to buy a VCR.

Based on information garnered from the special study, *CSA* estimates that 12.2 million VCRs will be sold in the United States in 1986, compared to approximately 11.5 million last year. In 1987, according to *CSA* estimates, sales will hover at between 12 million-12.5 million units. The following year holds the potential for VCR's first drop.

video
vcr's
SALE

Over 31.5% of all households polled now have VCRs.

As VCRs finally reach maturity, the effect of a horizontal sales path on the entire industry could be dramatic. In 1984, the increase in sales for VCRs accounted for fully half of the overall consumer electronics industry's dollar volume growth. Last year, video cassette recorders were the only factor standing between the industry and a sales drop.

American retailers and their sources, however, have little to complain about. The expected 50%-55% near term household saturation point is well above the 30%-35% experienced both in Western Europe and Japan.

Also, maturation in itself is not necessarily the retailer's foe. Though an estimated 91% of U.S. households already own a color television, American retailers still manage to sell 15 million-16 million sets annually.

Looking even further down the road, both 1987 and 1988 now look like holding years, with the final two years of the decade beginning a second (though less spectacular) growth period. What will drive the second upward spiral is the replacement of older machines.

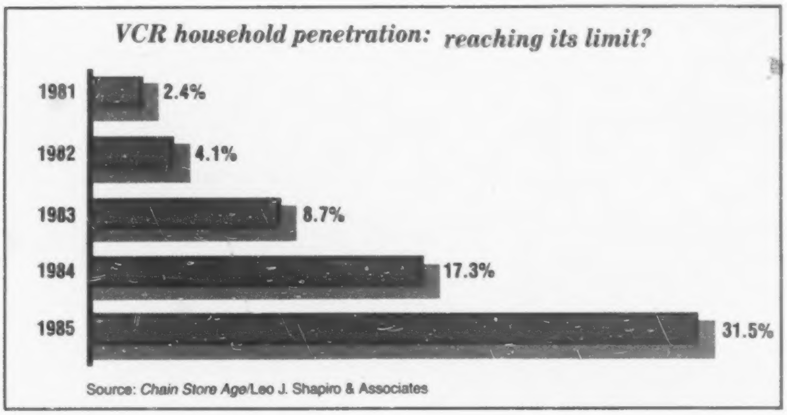
CSA estimates that about 500,000 VCR sales last year were to early owners who were buying a replacement machine. By 1990, the number of replacement sales could balloon to a projected 10 million units. That, combined with an upward creep in household penetration, will cause a second growth period.

The next 12 months, however, will look like a rerun of last year's performance. Consumers in the special MarkeTrends survey report they expect to buy a familiar list of brands at familiar outlets at what have become familiar prices. The only major change will be the dwindling of Beta and the emergence of 8mm.

When asked in open-ended questioning what brand VCR they expect to buy, consumers in the special study report Sony, Panasonic and RCA with the greatest frequency. Following are store brand, Fisher, Sanyo and Zenith. The study's respondents are committed to their brand choices, with 43% saying they definitely or almost definitely want their stated name brand.

On the average, consumers in the poll expect to pay a mean amount of $426 for their new video cassette recorder, with the great majority (81.9%) reporting they intend to spend between $300 and $699. The largest number (34.4%) expect to pay between $300 and $399.

According to the survey, audio-video specialty stores took 36.4% of unit sales last year, followed by Sears, Penney and Ward, discount stores and full line department stores. If consumers who expect to buy a VCR in 1986 follow through on their stated intentions, the poll indi-



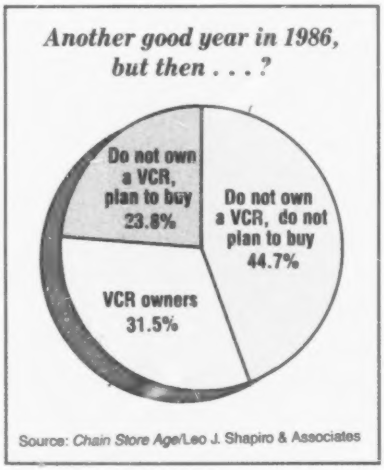
VCR household penetration: reaching its limit?

Source: *Chain Store Age*/Leo J. Shapiro & Associates

cates an increasing share this year for discount stores and the Big 3 mass merchants and a resulting decline for the specialists.

The single greatest change in 1986, however, will be a sharp drop in Beta's share of the market. In MarkeTrends polling a year ago, respondents stating a choice preferred VHS over Beta by a 2 to 1 margin. In the current study, only 1 in 20 of those who say they intend to buy a VCR also report that they expect to buy a Beta machine.

Sales for Beta at retail saw the bottom drop out during the Christmas selling season, and if the MarkeTrends figures hold true, many retailers will close out their Beta stock at distress prices in the coming months.



Another good year in 1986, but then . . . ?

Source: *Chain Store Age*/Leo J. Shapiro & Associates

What the industry hopes will pick up some of Beta's slack, of course, is 8mm, but in the special MarkeTrends survey, 8mm had not yet garnered a following. When asked what format they expect to buy, not a single prospective customer chose 8mm.

Just who will be buying this year may put a damper on some of the growth potential for pricey 8mm systems. The prospective VCR buyer is taking on a distinctive blue collar tinge.

A year ago, 45.2% of potential VCR buyers were college educated or above. This year, less than one-third (32.9%) of prospective buyers have a college education. However, average household income for potential buyers averages the same $30,000 in the current study that it did a year ago.

Geographic area will continue to play a part in VCR sales this year. Interest in buying a video cassette recorder is highest on a per capital basis in the Middle Atlantic states, as well as the North Central, Mountain and Pacific regions.

Per capita buying plans for VCRs is lowest in New England, the South Atlantic and the South Central states, according to the most recent poll. ☐

Consumers tuning in to car stereos

Research suggests retail sales by domestic car makers and the aftermarket will climb to $3 billion in 1986.

The seemingly mature car stereo market is displaying youthful vigor for the first time in years. More people are shopping for automotive sound these days because compact discs, stereo televisions and digital VCRs have rekindled interest in all audio equipment.

After four flat years, consumer interest in car stereo has finally taken off. In *Chain Store Age* MarkeTrends surveys, the number of people who say they might buy a car stereo in the coming 12 months was just above 3% from the beginning of 1982 until late last year. In November, the number rose to 4% and this month grew to nearly 5%.

Households actively shopping for automotive sound has increased at the same time. After years of fluctuating from a low of 0.8% to a high of 1.4%, the figure rose to 1.6% in November and jumped to nearly 2% this month.

Research indicates retail sales of car stereo by domestic car makers and the aftermarket will climb from last year's $2.8 billion to about $3 billion this year.

One reason for the growth is that any audio advance can indirectly benefit the entire consumer electronics business, says an industry insider. "Stereo TV is making people more sound conscious and that helps us all," she says.

Another reason is the direct benefit of advances such as the compact disc player for cars, says James Pedranti, vice president for marketing of Sparkomatic Corp., a manufacturer of car stereo for the mass market. His company will introduce an adapter to mate portable CD players to car sound systems for a retail of about $20. "CD is probably the greatest thing that's happened to our industry since the invention of the car radio," Pedranti says.

Chet Sharp, stereo buyer for Harts, a 27-store Columbus, Ohio-based discount chain, shares the enthusiasm for car CD. He hopes to carry some models later this year and says, "all the mass merchandisers will get into it eventually."

Pedranti believes car owners will yank cassette players from their dashboards after hearing CD, much the way they quickly replaced eight-track with cassettes. "It's that built-in obsolescence we're always looking for."

Just when the big switch to CD will happen is in doubt, others say. "I'm surprised it's taking as long as it has," says Larry Carpenter, Sony national sales manager. His company began marketing two car CD players a year ago.

Cassettes may retain their popularity longer than eight-track, says Tony Mirando, national marketing and sales manager of JVC's car audio division. His company will introduce a car CD player in February.

Mirando also sees digitally recorded tape as a competitor to CD in future car stereo wars. Digital tape sounds better than conventionally recorded tape but falls short of CD quality. Digital tape has the advantage of home recording, however.

With either new system, initial high prices are bound to chase away many potential customers. A technological breakthrough is needed to bring down the CD price and reduce its size, says Carpenter of Sony.

Mirando, meanwhile, is predicting the rarest of events in consumer electronics will come to pass this month—a price increase, this one due to a drop in the Japanese yen.

A price hike would reverse a long slide. JVC, for example, is introducing a car stereo that will probably sell on ad for $179. Mirando says a comparable stereo would have brought $329 three years ago.

Price erosion is often mentioned as a reason for the category's improved sales outlook. While it is true that the price of any one model has probably dropped, the average price of car stereos is actually increasing because the number of features is growing. Electronic tuning is one feature that has become nearly universal.

Still more features—as well as higher-priced, better-quality equipment—may sell well as audio awareness builds. Sparkomatic is banking on that trend with a new line of speakers that will debut under the Altec Lansing name. The mass marketer hopes to step up to specialty stores with the new name.

As old customers trade up, people once satisfied with AM radio may enter the lower end of the market. Sony will be ready for them with the new Express line. Sony is using the series to break into the discount market while continuing to offer higher-priced equipment.

Some other manufacturers are showing more willingness to see their wares on discounters' shelves. But some scrambling by vendors is due to uncertainties caused by changes in the way automobile manufacturers market car stereo and by fluctuations in the auto market.

Detroit lagged behind the aftermarket in introducing cassettes and may trail again with CDs. The automakers are putting in better stereos these days, however, and their gains in market share mean losses for aftermarket retailers.

"A lot of people in the industry are concerned about Detroit," Pedranti says. He cites the example of the 1986 Buick Riviera which makes the factory-installed radio an absolutely vital link in the car's electronic navigation system.

During the first seven months of the 1985 model year, domestic car makers, importers and dealers installed more than 1.5 million conventionally tuned radios and in excess of 3.2 million electronically tuned units. More than 10,000 systems included CD players, according to Ward's Automotive Reports.

Yet some retailers show little concern about competition from the car companies. "Our business is in used cars," says Sharp of Harts.

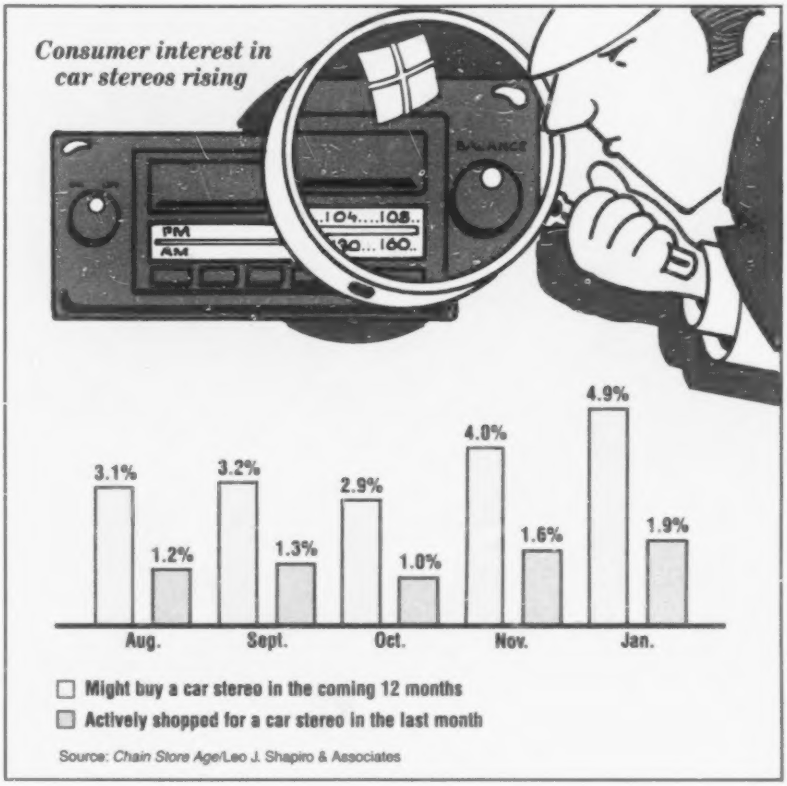
The stereo buyer for an East Coast-based discount chain agrees that the automakers are not a threat at this point. "Our car stereo business is increasing every year, so as of yet, I can't say that we're affected by it," says the buyer.

As the debate continues on new car sound, auto sales are expected to decline this year from 1985. Whether that affects aftermarket stereo sales is questionable. Market analyst Raymond Boggs of Venture Development Corp., a Natick, Mass.-based research group, says that when new car sales drop, people are keeping their cars longer and thus are more likely to buy aftermarket stereos. At the same time, however, decreased new car sales lowers the number of cars on the road and thereby shrinks the stereo aftermarket. "It's probably a wash," Boggs says.

Venture Development expects the factory value of car stereo shipments to rise strongly both for new vehicles and for the aftermarket. It calls for new car stereo shipments to grow at an annual rate of 11% from $1.1 billion last year to $1.8 billion by 1990. Aftermarket shipments will grow from just over $1.1 billion in 1985 to $1.6 billion in 1990, an annual increase of 9.4%. Although the researchers see factory installations outstripping aftermarket, the picture for retailers remains bright. ☐

—Ed McKinley

Consumer interest in car stereos rising



☐ Might buy a car stereo in the coming 12 months

▨ Actively shopped for a car stereo in the last month

Source: *Chain Store Age*/Leo J. Shapiro & Associates

He recognizes that the company's requirements for strong retail support for the MVS points to an emphasis on specialty stores and smaller players in the mass market—exactly the people who benefit most from the Kodak pricing strategy.

It remains to be seen whether this specialty store base can deliver the sales volume that Kodak needs to be profitable in the faster track world of consumer electronics.

As one Wall Street analyst pointed out, "The incursion of electronics into previously chemical-based products dominated by Kodak has forced them to take risks and diversify. They are taking risks and being extremely aggressive." He believes that Kodak's experiences with Kodavision showed the company it was on an even faster track than it expected. Apparently, Kodak responded with more new 8mm products and a pricing strategy that sets them apart from everyone else in the industry—for better or for worse.

The analyst also notes that margins in consumer electronics will be lower than in film-based products, and margins on hardware are lower than on accessories.

Two retailers in two different cities who were among the first to sell the Kodak 8mm systems now have very different reactions toward the company and its products.

In Dallas, a hotbed of 8mm converts, John Hayes, video manager for Barry's Camera & Video, says the first shipment of the MVS arrived late in November. The store promoted its remaining Kodavision stock to concentrate on the newest product and now getting a good customer response to Kodak's newest system. Prices for systems range from $1,800 to $3,000, depending on the number of components.

Hayes says the MVS is doing well because of the features it offers. His customers are looking for a package deal and they like both the excellent quality sound from the digital system and the extended playing time (four hour video and 12 audio).

"A lot of retailers have confidence in Kodak. Everything that they have produced is up to the Kodak standard. They also offer good promotion for the products and good service and support" for their retail customers.

In Atlanta, Wolf Camera and Video introduced 8mm to that market through the Kodavision systems in November 1984. Morton Grosswald, corporate purchasing, says the store is in 8mm "in a big way," but has dropped Kodak because G.E. offered a better deal that Kodak did not want to match. Like Kodak, G.E. also buys its video cameras from Matsushita.

Says Grosswald, "We were disappointed with Kodak all around. They weren't willing to take their beating [in Kodavision] and get out of the first generation."

The store's 8mm assortment now emphasizes Sony products, with some G.E. to offer price and feature selection.

A spokesman for Dallas-based Sanger Harris would like to see Kodak's strategy succeed, even though the department store has no plans to add the Kodak MVS to its assortment. He reasons that if Kodak succeeds in making inroads into the mass market it will help keep Sony out of it, thus preserving the upscale department store and specialty market for his assortment. Such a success would give that much more credibility to the 8mm format, and it would put him in a better negotiating position with Sony if that manufacturer knew it was not the only game in town.

The combination of a second generation 8mm system from Kodak and its unusual pricing strategy could earn it a following among smaller mass merchandisers and specialty stores, says the Sanger Harris spokesman. But he is not at all certain that such a market niche exists. He also raises questions about how the arrival of other 8mm entries from Matsushita could blur different market segments. □

CE retailers' brand loyalty is fading

Retailers who add brands are seeing sales increases as customers take their stores' offerings more seriously.

The greatest decline in loyalty recently is at department stores, says a study.

Brand loyalty is out the window for many consumer electronics retailers. Manufacturers are competing fiercely for volume and merchants are taking the opportunity to switch suppliers or add additional brand names.

The greatest decline in loyalty in recent years is among department stores, according to a study by Venture Development Corp., a Natick, Mass., management consulting firm.

Raymond Boggs, manager of Venture's consumer electronics division, says that in 1983, department and discount stores had carried three quarters of their suppliers more than three years.

Last year, department stores had carried less than a quarter of their manufacturers for more than two years.

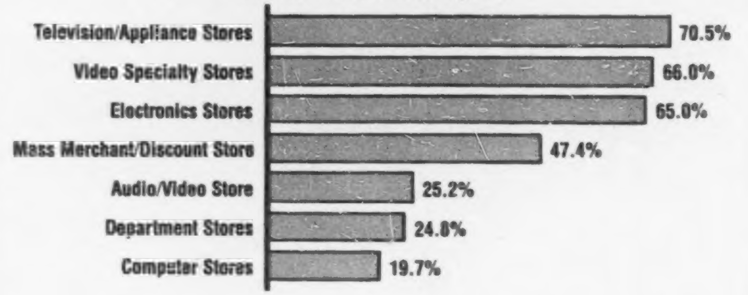
Discount stores, by 1985, had carried only half their suppliers for more than two years.

Television and appliance stores displayed greater stability. More than 70% of the manufacturers carried by these retailers have been with them more than two years. In the past, however, Venture found even greater loyalty among these stores, some of which specialized in a single manufacturer's products.

The exception to the trend was in video specialty stores. Two-thirds of the manufacturers carried by these stores had been handled for two or more years by 1985, an increase over 1983. Boggs notes that many such stores are relatively new and are still using their initial suppliers.

One part of the new equation is movement by some relatively upscale labels into unfamiliar markets. "Some of the majors like Pioneer are appearing in the mass merchandisers," says Chet Sharp, stereo buyer for Harts, a 27-store discount chain based in Columbus, Ohio.

Percentage of electronics manufacturers carried by different retailers for more than three years



Source: Venture Development Corporation

The shift is occurring because the price is right. Electronics prices are dropping, bringing some higher end products nearer to the discount store price range. Meanwhile, better appreciation of sound quality is making many customers more likely to spend more in the category.

Name brand manufacturers "are much more flexible in the last year or so on price and on programs they will participate in," says Gerald Hart, electronics buyer for T.G. & Y. Such programs include co-op advertising dollars or other fringes.

As part of the bargain, Hart also finds himself with a brand for every need. He uses some lines for promotion and sells others to more upscale customers.

With Grand Prix or Crown, Hart

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You can turn Scotch Videocassettes up to nine times a year. While tapes are turning, you'll be increasing your traffic, and generating higher profits.

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3M 1986 *The September 1985 issue **As reported in December 1985 issue of Video Review

***Upscale brands are** making an appearance at mass merchandise CE outlets.*

advertises price. "Those [and a few others] are the only companies that can hit the prices we need for volume business."

T.G. & Y. also carries Panasonic, Sharp and Sanyo. The need for volume has pushed such companies into the mass market; Hart says.

Paul Newman, a vice president of Code-A-Phone, agrees that volume is important. "CE is to a great extent price-driven, so volume is needed," he says.

Newman says retailers are giving consumer electronics more space, another reason for fading brand loyalty. "It appears to me that they're adding more sku's," says Newman, "but they may have a tendency to change faster than they changed in the past." He says some retailers add sku's in growth areas and then weed out slower merchandise during a shakeout.

Buying groups are helping smaller retailers add sku's, because the merchants no longer need to stay with only a few suppliers to become important outlets.

Retailers who add brands often see their sales increase because customers take the stores more seriously as places to shop for consumer electronics after seeing stronger statements.

Manufacturers have contributed, too, to the erosion of brand loyalty among retailers. After courting retailers, some vendors then lament the tendency of deal-oriented stores to become more demanding.

One interesting twist is in the area of price protection. In the past, department stores sought price protection against discounters. Now, discount buyers are talking about price protection against specialty stores on such products as car compact disc players, which are bound to go down in price. ☐

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1986: Audio turns up the volume

It will be a watershed year for audio. Consumer interest in audio products will lead the industry to new heights in 1986, according to MarkeTrends research. Leading the way will be compact disc players, posting a 400% increase over last year in the number of households which say they expect to buy a digital audio disc player in the next year.

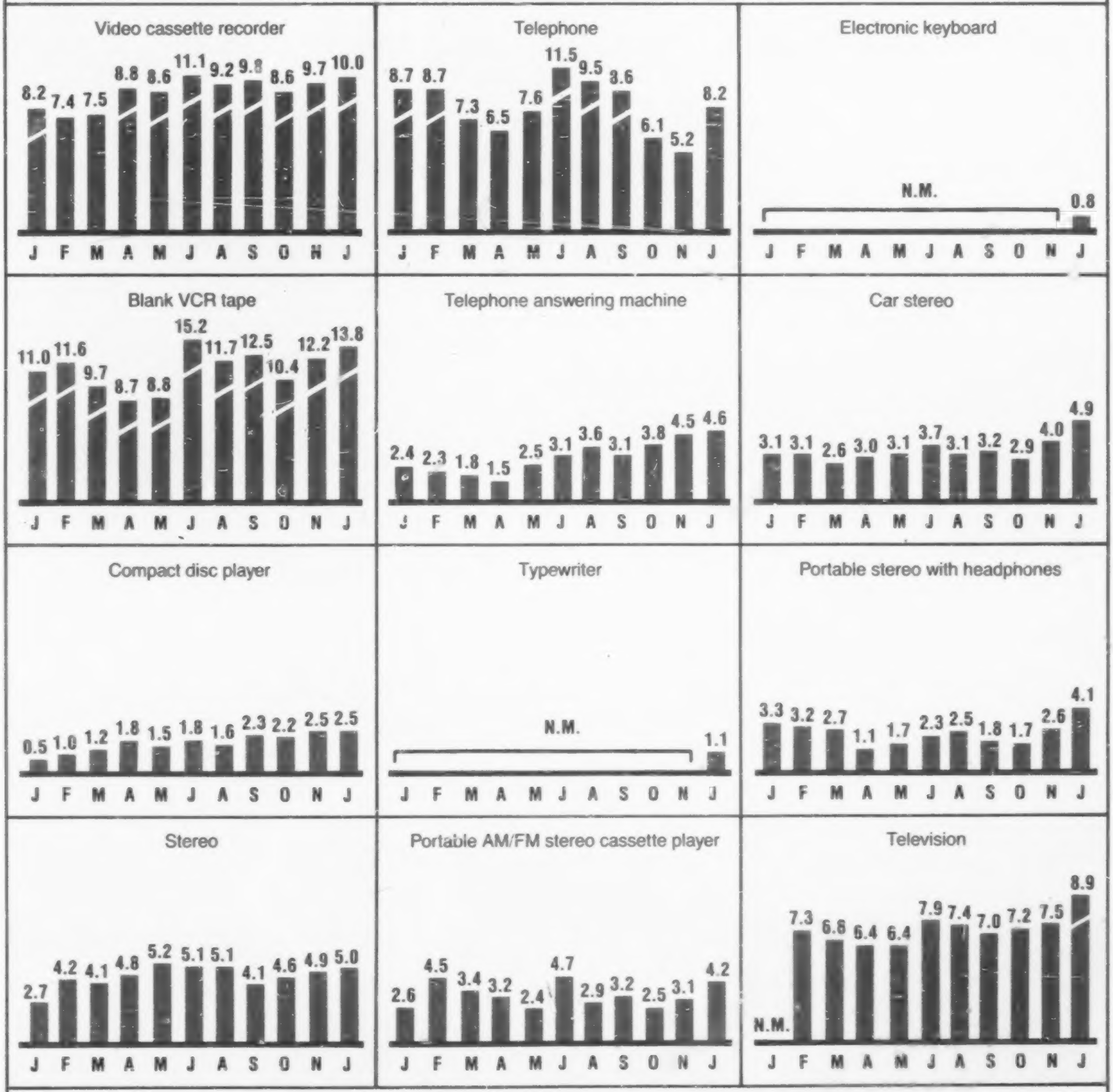
But the action for audio will not stop at compact disc players. Also registering jumps in consumer buying intentions are stereos, auto sound and even headphone stereos and boom boxes.

Buying plans for stereos are hovering at the highest level in five years, 85% ahead of last year. One in 20 households now report that they intend to purchase either a component or a rack system within the next 12 months.

An almost equal number (4.9%) say they expect to buy a car stereo in the next year—the highest total ever recorded in MarkeTrends research. Unanswered, however, is whether those sales will be at the factory level or in the aftermarket (see related story).

None of which means that video will be left behind. Consumer interest in VCRs is up 22% from last year. Blank videotape buying intentions also gained 26%. ☐

1985-86 Consumer Buying Intentions†*



* % of households might buy N.M. = Not measured † July and December 1985 not measured Source: *Chain Store Age*/Leo J. Shapiro & Associates

Phone answerers ringing up sales

MarkeTrends reports 4.6% of households expect to buy a phone answerer in 1986.

Consumer interest in telephones has been riding an up and down roller coaster over the last year, making sales predictions difficult, if not impossible. Answering machines, however, have been riding in only one direction—up.

A year ago, only 2.4% of households tracked in the MarkeTrends poll reported that they expected to buy a telephone answering machine. However, consumers significantly underestimated their buying plans in 1985, and 3.74 million answerers (with about 4.4% of households buying) did sell last year.

In the latest MarkeTrends reading, 4.6% of households report they expect to buy in 1986. This puts the potential market for the current year at between 4.5 million and 6 million units, according to *Chain Store Age* estimates.

Audio-video specialty stores continue to take the largest part of sales, according to the survey, with 25.7% of units sold during the last year. Following the specialists (and all recording increases in market share) are telephone stores, discount stores and department stores.

The increases in market share come at the expense of Sears, J. C. Penney and Montgomery Ward, whose combined share fell from 13.5% in the March 1985 reading to 8.6% in the latest poll. Catalog showrooms, however, posted the biggest loss, falling from 11.7% in the poll eight months ago to only 1.4% in the most recent survey.

Mail-order sales are one of the study's surprising gainers in market share, jumping from 2.6% of units sold in the March 1985 poll to 8.6% in the latest reading, an increase of 230%. ☐

Catalog showrooms lose share

Where did you buy your last telephone answering machine?

	March '85	January '86
Audio-video specialist	16.3%	25.7%
Telephone store	16.2	20.0
Discount store	15.6	15.7
Department store	9.7	11.4
Sears, Penney, Ward	13.5	8.6
Mail order	2.6	8.6
Catalog showroom	11.7	1.4
Other	14.4	8.6

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Fragmented market helps PL stereos

Private label electronics share comedian Rodney Dangerfield's lament—they get no respect in the current retailing environment. Montgomery Ward has introduced national brands, and so will Sears. Even Tandy is focusing much of its attention on its new branded outlets.

Customers, however, have not yet given up on private label. According to the latest MarkeTrends survey, nearly 1 in 5 stereos (18.7%) sold last year were private label brands. Sears took the lion's share (about 1 in 10), followed by Radio Shack's Realistic brand and J. C. Penney.

The private label retailers' performance is all the more remarkable, since on the average only 2.4% of households which expect to buy a stereo in the next year report they *do not* expect to buy a national brand. The private label brands, recording actual sales nearly eight times larger, almost look as if they are creating a market out of whole cloth.

***A recent poll** shows nearly 1 in 5 stereos sold last year were private label.*

The secret to private label's success in stereos is due in large part to the fragmentation of the marketplace. In the MarkeTrends study, no nationally advertised brand garners more than a 10% share. When asked what brand of stereo they last bought, consumers report Fisher (9.3%) and Sony (8%) with the greatest frequency. The top 10 national brands add up to less than half of all stereos sold, according to the survey. ☐

PL creates challenge in stereo sales

What brand stereo did you buy?	
Store brand	12.0%
Fisher	9.3
Sony	8.0
Realistic	6.7
Pioneer	5.3
Sanyo	5.3
JVC	5.3
Panasonic	4.0
General Electric	4.0
Technics	4.0
Yamaha	2.7
Hitachi	1.3
Others	32.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Headphone stereos hit middle age

There is a gray market for personal headphone stereos, but it has nothing to do with overseas distribution. Rather, the new gray market refers to the target customer's graying hair at the temples. According to MarkeTrends research, the highest potential for sales is to the 35- to 49-year-old age group.

In the most recent MarkeTrends survey, less than one-third of respondents are between 35 and 49 years old. Yet nearly 40% of those who say they expect to buy a headphone stereo in the next year are in this middle aged group.

Those aged 35-49 are hottest market for headphone stereos

Age	Sales potential score*
Under 20	88
20-24	116
25-29	87
30-34	95
35-39	105
40-44	95
45-49	160
50-54	68
55-59	66
60-65	69
65 and over	51

*Chart measures the size of each age group and compares it to the number of potential buyers in each age group. A higher number indicates a greater potential for sales.

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Unlike nearly every other home electronics product, women represent a significant portion of those who either have bought a headphone stereo or expect to buy within the next year.

When asked what brand headphone stereo they last bought, respondents in the MarkeTrends poll cite Sony with the greatest frequency (30.4%). Following are Sanyo (15.7%), Panasonic (14.7%) and General Electric (11.8%).

Consumers in the study say they expect to pay a median $79 for a new headphone stereo, but report they paid only $39 for their last one. Those polled in MarkeTrends research, however, have in numerous studies consistently overestimated how much they would spend for a personal headphone stereo. ☐

Pitfalls of supply and demand

It is going to happen again. Remember the Cabbage Patch craze two years ago? No one (most notably not even Coleco) correctly anticipated the consumer frenzy those new dolls would create. Production capacity was well below consumer demand, and many retailers spent more time on crowd control than on selling. Parents, meanwhile, were not spared the awful task of explaining why Santa's elves were unable to keep up with the production schedule.

The elves who make consumer electronics may be facing another production shortfall in 1986. This time it will not be Cabbage Patch dolls, but stereos and CD players. *CSA* MarkeTrends research is showing intense consumer interest in both categories this year. The potential is so great that it seems doubtful the industry will reap maximum profits from either.

Nobody will win in that situation—neither the manufacturer, nor the retailer, nor the customer, who, like the Cabbage Patchless consumers two years ago, will go home without buying and muttering a few well-chosen oaths in the direction of the unfortunate retailer.

Based on MarkeTrends polling, potential demand for compact disc players this year conservatively could reach 4.9 million units. Potential demand for stereos, both component and compact systems, could reach 5.4 million units in 1986. This represents about a fivefold increase for CD players and a near doubling for stereos from last year's sales.

There is a lesson to be learned here. Imagine what Coleco's bottom line would have looked like two years ago if it had been able to pluck a few hundred thousand more dolls out of the patch in time for Christmas.

However, there is much which could keep these estimates from turning into actual sales. Continued strength of the Japanese yen against the American dollar makes price increases from nearly all vendors a certainty this year. Higher prices might dampen some of the consumer's interest, but a more likely scenario has retailers absorbing increases with thinner margins.

High levels of consumer debt could also put a lid on potential sales. The majority of big ticket home electronics sales are credit transactions. It will be interesting to see how leveraged consumers have left themselves after Christmas.

The biggest factor in keeping sales below potential levels, however, will come from the industry simply not believing that the market can really be so large. It is. As MarkeTrends research shows, this will be audio's year. Believe it.

* * *

The New Year is as good a time as any to make predictions, so here are the rest of *CSA*'s estimates for potential home electronics sales in 1986.

Video cassette recorders will turn in at least one more good year. Based on MarkeTrends polling, more than one million units a month will sell in the coming year, totaling 12.2 million units industrywide by year's end. Right now the magic price point is $349, by next fall it should slip to $299.

Color television will continue strong, selling 15.7 million units. As the year progresses, stereo TV's share will grow. Telephones will dip to 20 million units, but answering machines have the potential to sell a projected 5.5 million units in 1986.

—Rick Gallagher

Platypus.

"The other tenants wished us good luck for the six months they thought we'd be in business," Schulman recalls.

But the other tenants underestimated the taste levels of the East Brunswick customers. Many were formed New Yorkers and Platypus filled a void in the market.

"Every shopper who came in during our beginning years thought they were the only ones who understood or appreciated us," Schulman chuckles.

Obviously most shoppers comprehended the concept. Platypus started throwing huge gala parties once a year for prized clientele. Customers in turn kept spending money. Eventually Platypus devised a catalog to serve mail-order customers and to help introduce others to the store. Two years ago the retailer mailed 60,000 books to shoppers in a 15-mile radius. This year it made a gutsy move and produced its own 16-page, four-color insert to *The New York Times*. While major department stores spend almost $25,000 a page for such catalogs, Platypus was able to do it for a fraction of the cost by using internal talents. Over a quarter of a million of the books were printed.

Schulman says using *The New York Times* actually worked out to be more economical than direct mail, especially since it reached customers in the new markets.

With all of its systems in place, Platypus is set to expand. Some suppliers say it could grow to as many as 100 stores, providing the Schulman's do not spread themselves too thin. Currently they do all the buying and staff the stores with what Schulman calls "the best managers."

Even Schulman admits he is not sure how big Platypus can get. He is toying with various growth vehicles including franchising or partnerships with managers. For now Platypus can support limited growth by feeding other stores through the larger flagship unit and drop shipping bulky items. ☐

Home health care explosion?

Research suggests consumers may be more willing than ever to buy home health care products.

Interest to buy home health care on the rise

	1983 Already own	Extremely interested	1985 Already own	Extremely interested
Blood pressure monitor	12.0%	5.7%	13.5%	7.0%
Hand or foot massager	12.0	3.6	15.5	9.5
Shower head massager	37.7	6.8	42.7	8.6
Shower head steamer	3.2	4.1	4.4	6.7
Vaporizer	42.5	1.1	51.3	2.8
Humidifier	40.5	7.0	41.8	5.3
Heating pad	61.2	3.9	69.8	3.5
Digital thermometer	4.3	6.6	14.4	12.8
Digital scale	8.6	8.4	16.2	14.6
Air purifier	18.2	3.9	17.2	11.1

Source: *Chain Store Age/Better Homes & Gardens*

Home health care manufacturers keep predicting the category will explode in 1986. They may have some validity, according to a survey conducted by *Chain Store Age/Better Homes & Gardens*.

For the past three years, suppliers have promised a sales bonanza. Although sales have been steady, the boom never materialized. But now, the research suggests, consumers may be more willing than ever to buy home health care, especially air purifiers, foot massagers, digital thermometers and blood pressure gauges.

Eight of the 10 tracked health care items registered a higher percentage of households indicating an extreme interest to buy vs. a similar study in 1983. The poll of 431 households also showed a dramatic increase in the overall interest in purchasing home health care products compared with the study completed two years ago.

The promising statistics do not surprise home health care suppliers. They say sales are heating up due to increased consumer interest in health and the aging of the population. Jerry Baker at Lumiscope predicts movement of digital thermometers will hit four million, up from only one million in 1984. He also believes blood pressure monitor sales will soar to $125 million. Suppliers say overall home health care sales will jump 20% in 1986.

Despite vendor enthusiasm, retailers have been leery of the category. With the notable exceptions of Lechmere, Bamberger's, K mart and catalog showrooms, most retailer shelves are empty of home health care merchandise. Buyers are often confused about the products, are sometimes skeptical about the quality of the merchandise and many are not convinced the products can be sold in a self-service environment.

The *CSA*/BH&G research, however, behooves retailers to take another look at the category. There has been a 23% jump in the past two years in the number of households extremely interested in buying blood pressure monitors. There has also been a 74% climb in the extreme interest level to buy digital scales and a 94% rise in those indicating extreme interest in digital thermometers.

The percentage of households extremely interested in buying a hand or foot massager zoomed from 3.6% in 1983 to 9.5% this year. The number of households expressing a desire to purchase a shower head steamer rose from 4.1% two years ago to almost 7% now.

As for pure health care, the item to watch is the digital thermometer. Two years ago, only 6.6% of those surveyed were extremely interested in buying one. At that time, prices for one averaged more than $20. Now the cost has dropped to the magic $10 price point and almost 13% of those questioned expressed the highest level of interest.

Another encouraging point the study brings up is that the market is not saturated and that it yields gross margins of 40% and up. Only 4.4% of those queried already own a shower head steamer, only 13% have a blood pressure monitor and 14.4% a digital thermometer. ☐

New vigor in some old basics

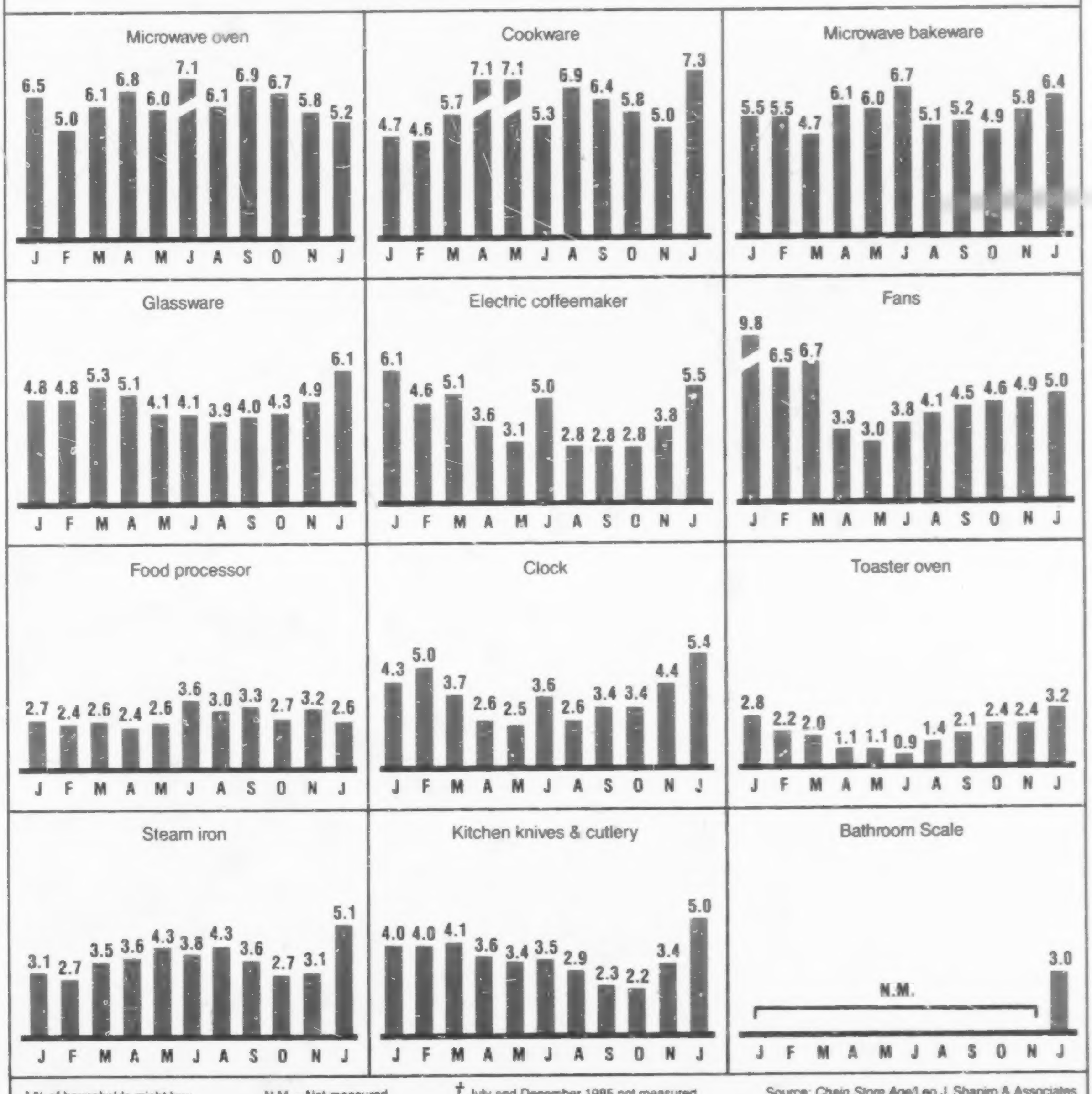
It appears the categories plagued with lackluster performances in 1985 will enjoy a renewed interest in 1986, according to MarkeTrends research from *Chain Store Age*/Leo J. Shapiro & Associates.

Emerging as products on consumers' housewares shopping lists for the new year are: clocks, toaster ovens, steam irons, cutlery and cookware. These classifications—mostly basics which are only replaced when the old item wears out—did not have a very strong year in 1985, but show promise for 1986. Cookware, the new survey shows, should enjoy especially robust sales with 7.3% of the households polled intending to buy new cookware in the next 12 months. That is higher than any intention level recorded.

The stars of 1985, such as microwave ovens, food processors and electric coffeemakers, will not be in as great demand this year. Only 5.2% of those questioned plan to buy a microwave oven, suggesting this market is getting saturated. Although microwave bakeware sales are still climbing, this category is sure to peak within six months.

On the whole, 1986 shapes up as a promising year for housewares. Only two categories—food processors and microwaves—show a decline in intent-to-buy from November 1985's study. ☐

1985-86 Consumer Buying Intentions*†



* % of households might buy N.M. = Not measured † July and December 1985 not measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Sunbeam's steamy iron sales

***Sunbeam has been** picking up shelf space from curtailed B & D steam irons.*

Sunbeam says it is grabbing more of the steam iron market and *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends research backs the claim.

In the most recent poll of households asking what brand steam iron they would buy, almost 25% responded Sunbeam. That is up considerably from a survey taken last March which showed 18.2% selecting Sunbeam.

Although the Sunbeam name is growing in popularity, the largest number of consumers—49.4%—look for the General Electric name (which will eventually be phased out as part of Black & Decker's acquisition of the brand). G.E.'s franchise is down somewhat from a 52% response rate last March, but the Black & Decker name surfaced for the first time with 1.6% mentioning B&D as the brand they would buy.

The name switch from G.E. to Black & Decker has opened up plenty of opportunity in the iron business and just about every major iron manufacturer expects to gain from the predicted customer confusion.

One reason for Sunbeam's great gains is its Monitor Shut-Off iron. Also, Sunbeam is picking up shelf space opened up by retailers who have abandoned Black & Decker's offerings because they say the vendor is not flexible as far as pricing and co-op dollars.

Discounters are the top choice outlet for irons. Almost 47% of the households surveyed planned to buy at a discounter, 12.2% picked the Big 3 (specifically Sears) and 9.8% indicated they would shop at a department store. Catalog showrooms were mentioned by 9.8%. ☐

Brand choices March 1985 vs. Jan. 1986

	March 1985	Jan. 1986
General Electric	52.3%	48.4%
Sunbeam	18.2	24.6
Store brand	13.7	7.4
Procter Silex	N.M.	12.3
Westinghouse	N.M.	1.6
Black & Decker	N.M.	1.6
Hamilton Beach	N.M.	0.8
Other	15.8	3.3

N.M. = Not mentioned
Source: *Chain Store Age*/Leo J. Shapiro & Associates

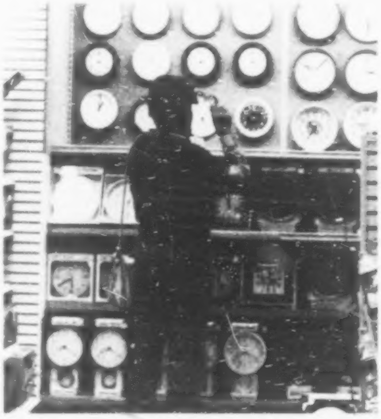
Clock sales winding up at discounters

There is a renewed interest in clocks, according to this month's *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends research.

All three areas tracked—those who bought, those who might buy and those now in the market—grew. The 5.4% of households who say they might buy is the highest response rate for this category since *CSA* started tracking it.

Suppliers say sales are rising in the $800 million clock market thanks to the influx of whimsical clock designs. Retailers, in turn, are making an improved commitment to the business.

Discount stores are where most shoppers head and where the majority buy clocks. About 33% say they would be likely to shop a discount store with 21.4% of that group s[illegible] K mart. Discounters get even stronger when it comes to those who actually bought. Almost 40% indicate they purchased at a discount store.



***Consumers do not** show a strong brand preference in wall clocks, says the poll.*

At which store was your last clock bought?

Discount store	21.9%
K mart	12.9
Department store	9.5
Product specialty store	9.9
Catalog showroom	5.5
Drug store	5.0
Sears	5.0
Variety store	3.0
Audio/electronic store	3.0
Montgomery Ward	1.5
J. C. Penney	1.5
Other	22.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Consumers do not seem to have strong brand preferences in clocks. Just over 23% picked G.E., followed by 21.6% selecting Westclox, 8.8% indicating a store brand, 7.2% mentioning Panasonic, 4.8% singling out Spartus, 4% picking Timex and 3.2% selecting Sony. ☐

Food processors stir at discounters'

Discounters are gaining in image as the place customers think of when they want a food processor. When it actually comes time to purchase, however, many shoppers shift to department stores.

In the January 1986 *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends survey, discounters were selected by 37.9% of the sample as the place where they would buy a food processor. That is up from a similar study conducted last August where only 19.2% indicated they would head to a discounter.

Further research into shopping habits reveals shoppers were more likely to buy at a department store than a discounter: 25.7% vs. 20.3%.

What brand food processor was last bought?

Cuisinart	19.4%
General Electric	19.4
Oster	17.7
Hamilton Beach	11.3
La Machine	9.7
Store Brand	9.7
Sunbeam	4.8
Other	6.5
Not answering	1.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The Big 3, too, could put greater effort into the category. Only 3.4% of the households surveyed plan to buy a food processor at one of the catalogers. Surprisingly, 12.2% actually did purchase at either J. C. Penney, Sears or Montgomery Ward.

A final point emerging from this month's study is that the Sunbeam name is growing in popularity, but that image is not always translating into sales. Almost 30% of those who mentioned what brand they would buy said Sunbeam—that was even higher than the 16.7% who picked the famous Cuisinarts name. Of those who actually purchased, however, Sunbeam sank to a 4.8% response. This can be explained by trade-up in the store once customers see the promotional price of Cuisinarts, buyers conclude. The market will get even more competitive as Oskar knock-offs appear. ☐

A blow-dryer with your compact disc

Something is amiss in the retail marketplace. Items traditionally associated with housewares departments are now appearing on shelves at electronics superstores such as The Federated Group, Silo and Crazy Eddie.

When a *Chain Store Age* editor recently visited Beyond Personal Electronics stores in Miami, he found housewares items comprising about 5% of the typical 350 to 400 sku's in the mix.

And just last Christmas, Crazy Eddie touted sharp prices on several housewares appliances.

Electronics stores got a start in housewares with microwaves. Now electronic toasters, coffeemakers, shower radios and personal care goods are popping up next to VCRs and compact disc players. Why all the interest on the part of specialty electronics retailers—especially when housewares appliance margins dip below the typical 24% to 30% margins electronics retailers enjoy?

There are several reasons. For one, housewares are now more closely related to electronic gadgets. Toasters can judge when toast is done, hand mixers do not require cords and microwave ovens can relay printed messages.

Color is becoming a bigger part of housewares and retailers are merchandising by color. The Beyond chain has customers who come in and buy everything in pink. That means retailers can sell a pink telephone, boom box and blow dryer in one shot.

There are obscure reasons housewares items are creeping into electronics stores. Housewares, for example, can lure women into the store. This is a shopper dearly needed since the number of men who shop electronics stores significantly outpace women. Then, too, the addition of housewares can stimulate impulse purchases and keep shoppers from buying elsewhere.

By offering these items, electronics retailers are offering a one-stop convenience and that means prices need not be footballed. Beyond, for example, sells items for full retail: A Pierre Cardin Hair Dryer/Travel Iron is priced at $19.95, Braun's Aromamaster 12-cup Brewer for $99.95 and the Hamilton Beach Quik-Cup for $24.95.

Another beauty of dabbling in housewares is electronics retailers can cherrypick items they desire. Customers do not expect them to carry every item, rather they look for electronics stores to sell the latest or trendiest items.

But there are pitfalls in adding this merchandise to the mix. Since more males frequent the stores, there may not be enough traffic to support housewares. And, since other retailers cut kitchen appliances prices to the bone, electronics retailers may be considered too pricey. That image can tarnish the rest of the store.

The news electronics retailers are joining the housewares fray is distressing to housewares retailers who say they have enough competition.

They point not only to impending competition from electronics superstores, but furniture merchants, too. Conran's, Ikea (soon to enter New York) and Ciao Italia (with a new store planned for Boston next June) now compete in many categories.

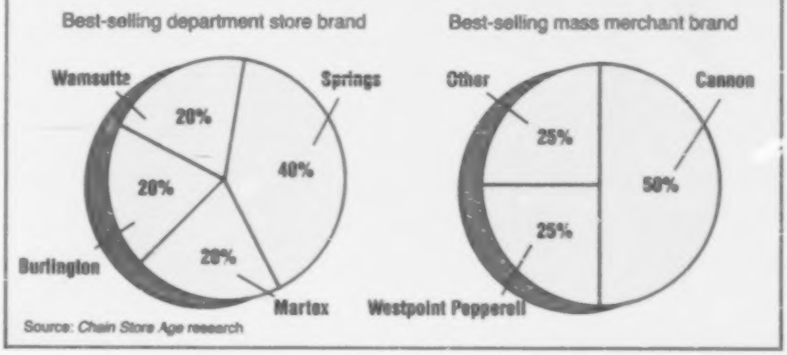
The best way for housewares retailers to combat infringing competition is to get smarter . . . more savvy. They need to have broad assortments, dominant statements, fair pricing and some level of service. It will indeed by a challenge in 1986 to keep the housewares business where it belongs.

—Faye Brookman

Retailers' attempts to find the happy medium in fiber content and thread count continues. Mass merchants and department stores are upgrading their selections.

Sheets make buyers restless

Dept. stores are increasing investments in 100% cotton sheets.



Department store and mass merchant leading brands

Source: *Chain Store Age research*

Sheets are not as sleepy a category as some might think. *Chain Store Age's* recent buyer survey shows retailers are restless with current assortments. Many are contemplating changes in fiber content and thread-count of merchandise, responding to what consumers perceive as quality goods.

The survey was conducted last fall by mail. The average department store buyer responding to the study worked for a company with 23 units and a sales volume of $275.6 million. The average mass merchant had 20 stores and a sales volume of $171.7 million.

"We will go out of low thread counts and move toward more natural fibers," says one mass merchant. "The consumer is tired of sleeping on sheets with thread-counts that feel like 000 sandpaper."

A department store retailer adds, "160's will be totally gone in the next six months [from our stores]. There will be some increase in 200's and over, but not to the degree many expect and hope. Once you hit 180's, most consumers are more interested in cotton content than thread-count."

Cotton is currently sweeping the country. Department store merchants are increasing investments in 100% cotton sheets while upscale discounters are testing these goods and upping their orders of high-cotton blends.

Half of the discounters in the *CSA* survey report carrying some 100% cottons. The average mass merchants devoted 5% to 10% of its fall sheet mix to these goods.

Department stores are slightly more entrenched. Three out of five provide these goods. The average store invests 7% to 10% of its sheet mix in them. Moreover, one upscale retailer had as much as 40% of his fall selection in these goods.

Fall catalogs all touted the trend. Macy's offered Utica's Provincial Stripe and King's Court (both 180-thread) for $11.99 a twin and Utica's Cottoncale Candies (solid color percales) for $9.99 a twin. Filene's features Wamsutta's Regency Rose and Supercale solids (both 200-thread) at $12 a twin. And Caldor displayed Pacific's Peach Pearl and Romance at $24.99 a twin set and Pacific's pastel solids at $19.99 for a twin set.

However, the *CSA* survey notes that many retailers are still avoiding the cotton boat. The majority of discounters are heavily involved in 50% cotton/50% polyester or higher polyester/cotton blends. Additionally, 40% of all the department stores only carried blended sheets and half of this group had no intention of changing their mix.

Thread-counts, on the other hand, are definitely changing. At department stores, retailers realize that the customer wants the softer feel of percales. The mass merchants, too, are moving in this direction, placing heavier emphasis on 180's.

Nearly 60% of the department store buyers will be making changes in their sheet mix (in reference to thread-count) over the next two years, notes the *CSA* study. One merchant says, "We'll be eliminating low counts." More specifically, another indicates, "We've increased our 180's, decreased the 160's."

Currently, the average department store mix runs: 9.8% in 200-threads, 75.4% in 180's, 12.8% in 160's and 2% in muslins. The range for 200's was 3% to 21% while for muslins, it was 0% to 10%.

Discounters are split when it comes to making changes in their assortments. Half are content with the majority of their goods in muslins. The other half wants to increase investments in percales. In fact some upscalers are seeking programs in 200's to layer on to their successful 180's. The average discounter carries 17.5% of its mix in 180-threads and 82.5% in muslins.

The study also shows that most mass merchants offer 90% to 100% of their sheets in sets while department stores carry 80% or better as open stock. The majority of department stores would like to move more into sets while only one out of every four discounters would like to increase its open stock.

"We'll move solids to open stock and keep fancy's in sets," says one mass merchant. According to other retailers who have made this change, an open stock solid color program provides customers with the options of mixing and matching solids to prints or using flat sheets to accessorize rooms.

Other discounters are bringing in the better goods—the 100% cottons and 200-threads—as open stock merchandise. They explain that the price points of these goods in sets would be very high and perhaps discourage some sales.

Department stores want to move into sets for promotional purposes as well as to improve stockkeeping. Sets place department stores in direct price competition with discounters and offer a perceived value to some customers. Moreover, sets cut down on individual packages of pillowcases, flats and fitted, which in turn keeps the shelves neater and counts easier to do.

Lastly, the survey notes that the best-selling brand at department stores is Springs. Martex, Burlington and Wamsutta tie for second place. At mass merchants, 50% mentioned Cannon as their best-seller and Westpoint Pepperell came in second-place. ☐

Naturals warm up mattress pad sales

Retailers say the bulk of the business in mattress pads was achieved at full retail—a rare feat in bedding.

EATON'S
CANADA WIDE
SPECIALS

***Mattress pad margins** are holding steady at 38% to 42%.*

Mattress pads may not be the most exciting category for bedding buyers but it is still a good, basic business for most stores. Despite the slight increase in promotional activity of this category last year, retailers say the bulk of the business was achieved at full retail—a feat rarely accomplished in bedding classifications.

It is a good volume, profitable business, according to the merchants. Like pillows, the margin is holding steady at 38% to 42% although turns are somewhat slower, averaging 2.5 times annually. Retailers were able to maintain these relatively high margins because they promoted from within current assortments rather than bringing in promotional goods that they might have had to take markdowns on at a later date.

Additionally, one Midwest department store exec says, "It's a very profitable business because the items are blind items. Most customers can't compare prices in pads unless they can find the exact same item at another store and that's hard to do."

To stimulate sales this year, retailers are upgrading products in addition to expanding more into natural fibers. A few discounters report dropping anchorband styles completely from their mixes. One Midwest merchant explains that this is in response to customer demand. At his stores, the only styles now carried are fitted or wrapped, priced at $6.99 to $14.99 for a twin. His bulk sales are at $9.99.

Other retailers have gone the 100% cotton or wool route. "Our customers are coming in and asking for 100% cotton pads," explains an East Coast department store buyer. Currently, he retails one all-cotton, fitted twin at $19.97 and is contemplating bringing in a second.

For winter, several merchants switched over to wools. Macy's carried an anchorband, 100% merino wool pad from Chatham retailing for $59.99 a twin. Caldor had a similar one for $39.99.

Still some retailers remain cautious when it comes to the natural fibers. They feel that their markets just will not support these higher-priced goods.

A Midwest department store experienced an unusual reaction last year. After successfully featuring a 100% cotton pad at $19.99 a twin, the buyer brought in a 100% wool one at $49.99 a twin.

The wool pad bombed and the store is now gun shy toward wool pads, notes the buyer. Perhaps the store was slightly ahead of the trend or the merchandise was out of the customer's perceived value range at that time. The buyer will not know which unless he tries again—something he was unwilling to do this past season.

on the bandwagon and are promoting them for additional business. Last December, the New England discounter advertised two foam pillows for $18, regularly priced at $12.99 each.

Pillowtex's Conrads says, "I'm not sure it's happening [the interest in firmer pillows] all of a sudden. I think maybe it's a backlash to the soft pillow trend [which has been going strongly for the past few years]."

She adds, "Perhaps there was always a market out there that wanted them but we didn't give it to them before."

Last year's big hit—the naturals—continues to do well. However, retailers say they need to be promoted more than before.

Even the mass merchants are increasing their stakes in this classification. One South Central discounter has added queen sizes in feather and down to its successful standard-size selections. The exec says his stores are trying to move their customers into better goods by offering a wider assortment of them.

The biggest problem with pillow merchandising remains customer confusion. Kohl's Blackmore says, "Consumers are very confused by pillows. We, the retailers, don't tell them why they should buy a $3.99 pillow vs. a $19.99 pillow. We, as retailers, could do a better job in educating them."

Kohl's will be adding signs in-store detailing the type of pillow a consumer needs based on the way she sleeps. Several department stores have been using this technique in ads for the past few years.

Additionally, Pillowtex has developed an in-store selling aid for this purpose called the Pillow Computer. It asks the consumer three questions: size of bed she is shopping for, if the user has allergies and how the user sleeps.

Conrads explains that the first question helps trade customers up. It demonstrates that a queen- or a king-size pillow can be used on a twin bed—something most consumers don't usually think of.

The second question directs the consumer to either natural or synthetic pillows while the third question indicates density. If the consumer sleeps on her stomach, she should use a soft pillow. If she sleeps on her side, a firm pillow is needed and if she sleeps on her back, a medium-density pillow is indicated. ☐

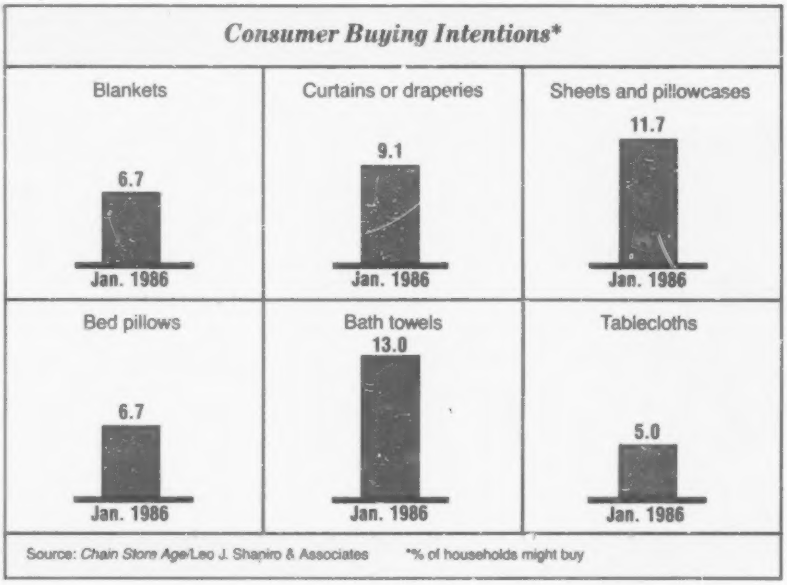
Interest in buying bed linens is split

Chain Store Age Home Textiles MarkeTrends, a monthly report of consumer buying intentions, makes its first appearance in this issue. That standing feature promises to provide informative and often surprising insights into the buying patterns in key classifications.

Blankets and curtains and draperies all receive strong consumer interest in this month's survey. Two-thirds as many people who purchased blankets last year say they plan to buy one this year, while 75% of the number who bought curtains and draperies last year are looking to buy them this year. (Based on past surveys, a product shows good potential when the sample of prospective customers equals half of the group of customers which say they purchased in the last year.)

Sheets and pillowcases and bed pillows show the weakest potential of the six products tracked in home textiles. Some 11.7% of those surveyed say they intend to buy sheets and pillowcases, compared with 26.5% who say they bought them in the past year. Only 6.7% of households are in the market for bed pillows over the next year, compared with 15.3% who bought last year.

Bath towels and tablecloths seem to be on target for this year and will likely achieve sales comparable to last year's volume. Exactly half as many people as bought last year say they intend to purchase bath towels this year, while 5% say they will buy tablecloths, compared with 11.7% who actually purchased last year. ☐



*Consumer Buying Intentions**

Source: *Chain Store Age*/Leo J. Shapiro & Associates *% of households might buy

Fashion edges quality in sheets

It has long been understood that the pattern sells the sheet. But a recent *Chain Store Age*/Leo J. Shapiro & Associates study shows consumers are willing to trade quality for fashion.

Prospective sheet buyers say quality will most influence their choice of store after price considerations. However, those who have bought in the last year indicate that quality had less influence, and selection and a convenient store location more influence, in the purchasing decision.

With this is mind, the data suggest that Sears had neither the fashion nor quality in sheets to convert shoppers into buyers, despite having the price which brought them into the store initially. Approximately 19% say they would buy sheets at the No. 1 retailer compared with only 10.9% who actually

Consumers' plans vs. actual sheet purchases

Brand plan to buy:	
Store brand	34.2%
Cannon	23.7%
A brand (not specific)	23.7%
Burlington	5.3%
Stevens	2.6%
Fieldcrest	2.6%
Westpoint Pepperell	2.6%
Other	5.3%

Brand bought:	
Cannon	33.3%
Store brand	20.0%
Martex	6.7%
Burlington	5.3%
Wamsutta	4.0%
Springmaid	4.0%
Westpoint Pepperell	4.0%
Stevens	2.7%
Fieldcrest	2.7%
Other	17.3%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

made purchases there within the past 12 months.

Discounters, too, have the same problem as Sears, according to the survey. Nearly 29% of those surveyed say they would shop a discounter but only 25.1% bought sheets at one last year.

K mart, in particular, lost a third of its prospective market. Approximately 16% say they planned to shop this category at K mart while only 9.8% actually did last year.

Unlike Sears and the discounters, department stores and product specialty stores gained market share. Approximately 33% of the shoppers say they would go to a department store compared with 35% who actually bought sheets at one within the past year.

This indicates that consumers did not think that department stores offered the best price or quality for sheets initially. But upon visiting one that was conveniently located, shoppers found that the price and selection was adequate and they made purchases. Product specialty stores show an even greater share gain than department stores.

Prospective buyers have a realistic picture of sheet prices. The median price they expect to pay is $20 compared with the average $21 spent by past purchasers. ☐

Specialty store prices attractive in C&D

Customers are unhappy with department store curtain and drapery offerings, suggests the latest *Chain Store Age*/Leo J. Shapiro & Associates study. And despite new presentations at Sears and Montgomery Ward, J. C. Penney seems to be winning the Big Three battle for window treatment sales.

Department stores show the most drastic falloff when it comes to converting shoppers into buyers. While 30.9% of prospective buyers say they will shop these stores for curtains and draperies, only 17.6% actually did last year.

Sears and Ward, too, have conversion problems. Sears gets mentioned by 21.8% who plan future purchases, but only 15.3% who bought this merchandise within the past 12 months went to Sears; Ward went from 5.5% to 4.7%.

Still, the Big Three maintain an overall strong market presence, thanks to Penney. Last year, 41.2% of the customers bought window treatments at a mass merchant and 38.2% plan to shop these stores in the future.

More than 1 in 5 bought at Penney, while 10.9% say they intend to buy there this year.

Product specialty stores are the most successful in converting shoppers into buyers. Nearly 13% of the past customers made purchases at these outlets and 10.9% of the prospective shoppers are already committed to them.

The survey suggests that price is the main reason shoppers buy at a particular store. Three out of every 10 prospective shoppers said they would base their store choice on low prices while 1 out of every 2 past purchasers said their store choice was infuenced by it.

Quality (20.8%) and selection (18.9%) are almost as important as price is to future purchasers. But previous shoppers place twice as much emphasis on price than selection (25%), while quality diminishes in importance (5%) and service becomes third most important (10%).

One reason price becomes important to those who are buying is that future shoppers have some unrealistically low price expectations. Future buyers expect to pay an average of $112 while those who did purchase paid an average of $171.

Lastly, the data indicates that prospective customers are looking to buy an advertised brand (64%). Brands mentioned include Hanover (4%), Croscill (4%) and Levolor (4%). However, 2 out of every 5 did not name a brand specifically.

Interestingly, when shoppers actually made purchases, the reverse was true. Approximately 67% bought store brands and an additional 13.3% were custom orders. The only brand recalled by name was Levolor—a manufacturer of hard window treatments, not curtains or draperies. ☐

Price expectations of future purchasers

$15 and under	4.2%
$16-$20	8.5%
$21-$25	6.4%
$26-$30	2.1%
$31-$35	6.4%
$36-$50	12.8%
$51-$99	6.4%
$100-$124	19.2%
$125-$149	6.4%
$150-$199	10.6%
$200-$299	8.5%
$300 and over	8.5%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Price paid by past purchasers

$15 and under	11.7%
$16-$20	5.9%
$26-$30	11.8%
$36-$50	11.8%
$51-$99	11.8%
$100-$124	17.6%
$150-$199	5.9%
$200-$299	5.9%
$500 and over	17.6%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Having fast film on hand lends credibility to a photo department by indicating to customers that the retailer is serious about the category.

High speed film acceptance slow

No retailer has struck it rich with high speed film, but in the two years since the product was introduced it has carved a place in the mass market and helped bring serious amateur photographers into the store.

Kodak introduced 1000 ASA color print film about two years ago with its 100, 200 and 400 ASA offerings. Agfa began distributing its 1000 ASA films for both prints and slides at about the same time. Fuji has sold 1600 ASA color print film for two years and Konica recently debuted its version of 1600 ASA for color prints.

No one predicted a revolution in film retailing and none has come. The specialized high speed film is for people who want to shoot stop-action sports photos or need to shoot in darkened areas with available light. Beginners—and even many experienced amateurs—complain of grainy prints and color problems with the film.

Just the same, most retailers who talked to *Chain Store Age* are stocking the product. Richard Pearson, camera and accessories buyer for the Omaha, Neb.-based Pamida discount stores, says his company began offering Kodak VR1000 as soon as it became available. The chain considered dropping the film but then decided to stand by the product despite sales totaling less than 1% of the stores' film business.

Pearson wants fast film on hand because it fills a need. "It's a different kind of customer," he says.

It is a customer who is serious about photography and is therefore more willing to spend money in the category. As Rex Holloway, camera buyer for Howard's, a 106-store discount chain headquartered in Monroe, La., puts it, fast film "attracts a little higher quality photographer. "The key is to promote it sometimes to make people aware it's there," he says. Holloway is stocking Kodak VR1000 despite sales that account just 3% of total film receipts.

Having the film on hand lends credibility to a photo department by indicating to customers that the retailer is serious about the category. That can be important to discounters, many of whom started small in the photo business with inexpensive cameras and built gradually. "It rounds out the line," says George Tyler, camera buyer for Fedco, another chain that has stocked Kodak's fast film since its inception.

Though sales remain slow at most chains, the Wolfman Report Survey for 1984, the most recent available, concludes that high speed film has captured 10% of the market. That compares with 40% of the market for film of 100 ASA or slower, 10% for 200 ASA and 40% for 400 ASA.

35mm COLOR PRINT FILM

Sophisticated cameras *are spurring sales of fast film.*

Mike Sullivan, a Kodak spokesman says, "The greatest application for 1000 film is in the camera specialty stores." "Four hundred is doing better in drug and grocery outlets."

Other manufacturers agree. Tom Shay, Fuji's manager of corporate communications, says, "It might sell better in camera stores but it's available in discounters." Konica films sell in specialty stores, but the company is seeking wider distribution.

"When it was first introduced," says Kodak's Sullivan, "it had a peak. Later, it took its place and has a steady growth picture."

Shay says fast film "won't skyrocket but it has not yet reached saturation."

Fedco's Tyler believes sales will remain flat but Holloway of Howard's foresees some growth potential as customers and salesmen get to know the film.

If fast film can merely hold its present market position, it is bound to grow along with the whole film industry. Business is improving because cameras are becoming increasingly easy to operate. Photo supplies stock turns of 3.5 in 1983-84 improved to 4.4 in 1984-85. The category's gross margins went from 15.3% in 1983-84 to 16.3% in 1984-85, according to the National Mass Retailing Institute.

Fast film can remain part of this bright picture, manufacturers say, citing technological improvements. Sullivan says Kodak has improved its 1000 ASA film since its introduction but still cautions that 8-by-10 prints are still a bit grainy. "It's not an all-purpose film," he says.

Many customers were soured on fast film by bad results and some retailers have dropped the product because of it. Bob Nau, camera buyer for the 28 Gibson's Discount Center stores headquartered in Dodge City, Kan., found the low volume did not justify the customer complaints. "You could put it all in a pile and pour kerosene on it," he says.☐

Wal-Mart drops Fuji for 3M film

In pursuit of its 'Buy American' program, Wal-Mart will drop Fuji for 3M's Scotch brand film.

Until recently Wal-Mart's "Buy American" program seemed principally aimed at helping smaller, regional companies, mainly in apparel, textiles and other home furnishings areas, get a leg up on foreign competition. But now Wal-Mart is extending its policies to some product categories dominated by major American producers.

In New York recently to accept "Man of the Year" award from the Textile section of the New York Board of Trade, Walton announced that Wal-Mart would drop Fuji film this year in favor of Kodak, which Wal-Mart already sells.

A call to Wal-Mart's headquarters confirmed that the chain is dropping Fuji, but not solely to Kodak's benefit. Wal-Mart is adding another American vendor to supplement its offering of Kodak film. Wal-Mart will sell Scotch brand film by 3M.

The move raised some eyebrows because of the impact Fuji has had on the American film market since obtaining the rights to bill itself as the official film of the Summer Olympic Games. In the past two years Fuji's share has grown rapidly, and is now estimated to be between 8% and 10% of the U.S. market. Fuji has been especially strong in specialty stores, but mass marketers like K mart and upscale discounters in particular have added the film.

Fuji said it did not want to comment on Wal-Mart's move.

Consumer interest in cameras wanes

Consumer price expectations when buying cameras have risen since 1985.

In the last decade camera sales have seemed at the mercy of the economy. *Chain Store Age* surveys consistently show that cameras are among the first products consumers put off buying when money gets tight. And even when they do buy, consumers tend to shop ads and compare prices of cameras even more closely than most other products.

That kind of attitude seems likely to continue, according to *Chain Store Age* Photo/Camera MarkeTrends, a monthly report of consumer buying trends which begins with this issue.

Only 3.8% of those surveyed say they intend to buy a camera in the next 12 months. That compares with 10.3% who say they purchased a camera over the last year. Past experience with such surveys has shown that when intention-to-buy is less than half of actual purchases, a sales slump may be on the way for a given product.

Part of the problem, of course, is simply that consumers seem to be taking a breather after the buying spree they went on in 1983-84, even though cameras were not high on peoples' lists back then. But even when they are buying, consumers are bypassing cameras and looking for other, "sexier," items, like food processors, VCRs and, now, compact disc players (See *CSA*'s Housewares and Consumer Electronics MarkeTrends in this issue for a glimpse of consumer interest in those and other key products).

At which store was your last . . . bought?

Outlet	Camera	35mm lens
Discount store (net)	**10.8%**	**10.3%**
K mart	8.2	2.9
Mass merchandisers (net)	**8.7**	**10.3**
Sears	4.3	7.4
J. C. Penney	**3.4**	**—**
Montgomery Ward	1.4	2.9
Department store	**11.6**	**11.8**
Drug store	6.8	—
Catalog showroom	**3.9**	**4.4**
Specialty store	20.3	42.6
Mail order	**3.4**	**—**
Other/not answering	6.5	20.6

Source: *Chain Store Age*/Leo J. Shapiro & Associates

If anything, the position cameras occupy vs. these kinds of products may become even more problematic in the next year, according to demographic information from the survey. About 55% of those who plan to buy a camera feel it will not be any easier this year paying all of their household bills. By contrast, less than half of those who plan to buy a food processor or rack stereo system feel the same way.

Despite this, there are bright spots in the camera market. One is consumer price expectations. Those who plan to buy actually intend to spend more money on cameras than those who bought last year. Consumers say they expect to pay a median price of $150 for a camera over the next year. That compares with the $120 median price by consumers who bought a camera in the past 12 months.

Clearly, another bright spot has been the success of Minolta's new Maxxum autofocus SLR. This technologically unique camera has boosted SLR sales, and just in time. In 1984, for the first time, unit sales of autofocus lens-shutter cameras outdistanced sales of SLRs.

The introduction of the Maxxum, which will probably record first year sales of 250,000 units in the United States, is probably one reason why consumers in the *CSA* study show more interest in purchasing an SLR than an autofocus lens-shutter camera. The challenge for many retailers remains to stop consumers who begin by searching for an SLR from trading down to a lens-shutter camera when they see how sophisticated these cameras have become.

Although product specialty stores remain the outlet of choice, the survey shows that discounters are doing a good job of converting customers. Although only 15.3% say they intend to buy a camera at a discount store, 18.8% of those who actually bought one did so at a discounter. Specialty stores were mentioned by 24.3% as the place they would shop, but only 20.3% report actually buying there. ☐

35mm lens market comes into focus

***Consumers are clearly** price-conscious when purchasing camera lenses.*

The market for 35mm interchangeable lenses has always resembled a yo-yo—large sales dips followed by sudden surges upward. From the looks of things, business may be ready to take off again.

Nearly as many people say they will buy an interchangeable lens in the next year as claim they purchased one in the past 12 months, according to *Chain Store Age* Photo/Camera MarkeTrends. That is significant because intention to buy generally runs at only about half of actual purchases for products surveyed by *CSA*.

(Consumers typically underestimate their actual purchasing intentions over a 12-month period. Shoppers are influenced by such factors as in-store display and advertising, which they are not exposed to at the time they answer a survey.)

The interchangeable lens business took a sales dip of about 15% over the first six months of 1985, the latest period for which figures are available. But in the two preceding years sales rose, by more than 30% in 1983 and about 3% in 1984. Now the market seems ready to take off again probably because of technological advancements and the introduction of new SLRs which require new lenses.

In the *CSA* survey, 3.6% of those polled say they plan to buy an interchangeable lens in the next year, compared with 3.7% who say they made such a purchase in the last 12 months. More people, according to the survey, are actively shopping for a lens now than for a camera. While that indicates the strength of the category, it also illustrates that lenses tend to be more of a planned purchase and less of an impulse item than some types of cameras.

How much did you pay for . . .?

Price	Camera*	Interchangeable lens*
Under $30	11.0%	2.0%
$30-$50	12.5	2.0
$51-$99	8.1	24.5
$100-$150	7.3	20.4
$151-$199	10.3	10.2
$200-$299	11.0	4.1
$300-$399	4.4	2.0
$400-$499	2.2	—
Over $500	2.2	—

*Responses do not add up to 100% because of "no answers."
Source: *Chain Store Age*/Leo J. Shapiro & Associates

The market will likely be driven by the success of technologically advanced SLRs, like the Canon T-70 and the Minolta Maxxum. Although SLR sales remain flat, more sales of these advanced cameras mean added opportunity for lens sales. Some of these cameras, like the Maxxum, require their own distinct lenses. Minolta estimates that two lenses are sold with each Maxxum. If supplies hold up, that would mean Minolta will sell about 500,000 interchangeable lenses in the United States in one year.

Declining prices for sophisticated lenses may also boost the market. A 70-200 zoom lens with improved optics can now be purchased for about half what a consumer paid several years ago. Consumers are clearly price-conscious. Some 54% rate price as the most important factor in making a lens purchase, compared with just 38% who believe price is the most important consideration in purchasing a camera.

Improved optics continue to make zoom lenses the most popular format. A *CSA* survey of chain photo buyers last year showed most considered zoom lenses to be their bestsellers.

Not surprisingly, specialty stores have a much larger share of this market than of the camera market. More than 40% of those surveyed say they will purchase at a specialty store, while 51% actually bought an interchangeable lens there last year. Catalog showrooms seem to have the largest problem converting perceptions into sales. More than 11% say they intend to buy at a catalog showroom, but only 5.2% did. ☐

Tight spending hurts discounters

Middle America was more cautious in its spending during the third quarter. The result was a decline in earnings by the Big 3 general merchandisers and only modest gains by most discount and variety stores.

Of the major retail categories, department stores emerged as the clear winner by posting an average earnings gain of 13.7%. This improvement came despite a slow start in third quarter sales of fall and winter apparel caused by warmer weather.

J. C. Penney and Sears posted almost the same performance for the quarter with declines in their rate of earnings of 7.9% and 7.8% respectively. Montgomery Ward recorded the same $15 million loss it did during the same quarter last year.

Woolworth, Ames, Zayre and Wal-Mart made strong showings for different reasons. Ames benefited from the addition of 108 G. C. Murphy stores, and Woolworth and Zayre earnings were helped by their specialty store operations. Wal-Mart's earnings gain was helped by a 280% sales increase by Sam's Wholesale Club, but its discount stores also generated a comparable store sales gain of 7%.

Rose's and K mart felt the impact of soft consumer demand. Third quarter results make them even more dependent on an outstanding fourth quarter to salvage the year. The two chains, like many other discounters may have lost their footing while attempting to balance the need for promotional activities with the desire to overcome lingering concerns about inventory control.

Among the diversified department store chains, Allied stores and Dayton Hudson showed the largest earnings gains, while Associated Dry Goods slipped by 2.5%, and Federated stores could manage only a 0.9% gain. Carter Hawley Hale did report a respectable 8.9% earnings increase, but it was due in part to a $2.4 million LIFO credit.

Toys "R" Us paid the price in this third quarter for the "extraordinary volume" the stores generated in the same quarter last year. The relatively flat store-for-store sales produced an earnings decline of 25.6%. For the first nine months, TRU is producing a 0.5% earnings gain.

Department stores show moderate gains

Chain	3rd quarter (000 omitted)			Nine months (000 omitted)		
	1964	1985	% change	1984	1985	% change
Penney	101,000	93,000	− 7.9	219,000	173,000	− 21.0
Sears[2,4]	102,500	94,500	− 7.8	294,200	176,300	− 40.1
Ward	(15,000)	(15,000)	—	(16,000)	(14,000)	—
Subtotal	**198,500**	**172,500**	**− 13.1**	**497,200**	**335,300**	**− 32.6**
K mart	92,400	77,400	− 16.2	294,800	210,700	− 28.5
Ames	7,462	10,655	+ 42.8	16,815	22,348	+ 32.9
Roses	3,646	2,865	− 21.4	13,151	9,645	− 26.7
SCOA (Hills)[3]	10,681	11,163	+ 4.5	14,260	15,383	+ 7.9
Wal-Mart	58,792	70,917	+ 20.6	161,399	194,416	+ 20.5
Woolworth	26,000	38,000	+ 46.2	49,000	71,000	+ 44.9
Zayre	22.584	27,687	+ 22.6	45,620	56,748	+ 24.4
Subtotal	**221,565**	**238,687**	**+ 7.7**	**545,045**	**580,240**	**+ 6.5**
Allied	17,628	22,940	+ 30.1	49,074	71,153	+ 44.9
Associated Dry Goods	15,900	15,500	− 2.5	39,394	39,434	+ 0.1
Carter Hawley Hale[1,3]	9,012	9,812	+ 8.9	57,097	(3,143)	—
Dayton Hudson	43,172	56,898	+ 31.8	110,675	130,333	+ 17.8
Federated[3]	57,008	57,538	+ 0.9	127,851	132,589	+ 3.7
May Co.	39,600	44,200	+ 11.6	104,100	115,500	+ 10.9
Mercantile	21,920	25,234	+ 15.1	48,314	55,714	+ 15.3
Subtotal	**204,240**	**232,122**	**+ 13.7**	**536,505**	**541,580**	**+ 0.9**
Oshman's	456	527	+ 15.6	2,223	806	− 63.7
Toys "R" Us	10,279	7,644	− 25.6	31,518	31,666	+ 0.5
Subtotal	**10,735**	**8,171**	**− 23.9**	**33,741**	**32,472**	**− 3.7**
The Gap	4,441	13,057	+194.0	5,196	12,358	+137.8
The Limited	28,385	42,120	+ 48.4	58,878	89,210	+ 51.5
Edison Bros.[3]	8,900	5,900	− 33.7	24,500	13,600	− 44.5
Subtotal	**41,726**	**61,077**	**+ 46.4**	**88,574**	**115,168**	**+ 30.0**
Syms	2,211	2,452	+ 10.9	6,972	8,297	+ 19.0
Clothes Time	829	3,401	+310.3	2,747	8,596	+212.9
Subtotal	**3,040**	**5,853**	**+ 92.5**	**9,719**	**16,893**	**+ 73.8**
Total	**679,806**	**718,410**	**+ 5.7**	**1,760,784**	**1,621,653**	**− 7.9**

[1] Continuing operations only. [2] Consolidated operations only. [3] Excludes unusual items. [4] U.S. merchandising only.
(   ) Indicates loss.
Source: *Chain Store Age* research.

Retailers' markdown madness

Retailers' fears that 1984 was a year of rampant markdowns have been confirmed by research from the 1985 edition of MOR: Merchandising and Operating Results of Department and Specialty Stores, a publication of the National Retail Merchants Association.

The use of markdowns to clear excess inventories skyrocketed in 1984, especially in apparel areas. Price cuts in women's apparel jumped from 22.5% of total sales in 1983, to 28.2% in 1984. Men's clothing markdowns were up from only 15.5% of sales in department stores in 1983, to 19.6% of total volume in 1984 and price cuts in children's apparel climbed from 17.5% of sales to 21.5%.

Even categories not traditionally subject to huge markdowns—domestics, hobby/recreation and appliances—experienced greater price rollbacks in 1984. The only category with fewer markdowns was personal needs and smallwares (cosmetics, toiletries, drugs, stationery, office supplies and food). These, of course, are necessities that customers cannot put off buying until a sale.

With the increase in price cuts and promotional activity came a drop in gross margins. Although retailers have been trying to boost margins, the percentage sank in every area except personal needs and smallwares and hobby/recreation. In fact, margins in hobby/recreation climbed an impressive 4.5 percentage points.

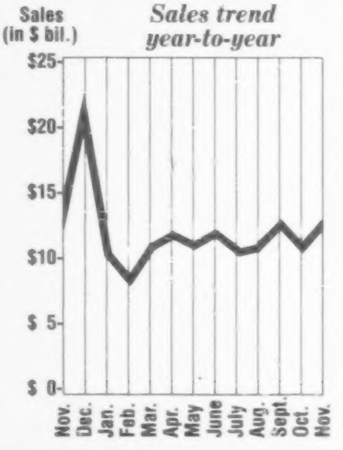
Shoes suffered the greatest decline in gross margins, dropping from 43.8% in 1983 to 42.1%.

Calendar confuses sales reports

Had it tried, the calendar could not have confused November sales results more than it already did. The 26 chains tracked by *Chain Store Age* posted a 6.4% gain for the month, but what that meant was anybody's guess.

The cause for all the confusion was a combination of a Thanksgiving holiday which was celebrated a week later this year, and a reporting date which also fell a week later.

In some cases, the effect could be dramatic. At Dayton Hudson, which recorded a 23.1% gain for the month, and comparable store results up 17%, figures restated to reflect an identical reporting period marked total volume increasing 12.5%, and same-store results gaining only 6.8%.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

At J. C. Penney, the effect was positive. Though reporting only a 3% increase for the month, restated figures indicated a 15% gain, according to Penney chairman William R. Howell.

One interpretation with which all agreed, however, was that consumer spending going into Christmas, 1985 was soft. Unlike the previous year, though, inventories were reported far leaner than in 1984.

Sears could take little solace from the holiday spirit. United States Merchandising Group sales were down 5.3% in November, and for the 10-month-old fiscal year were holding barely even with last year's performance. Crosstown rival Montgomery Ward also saw sales slip in November, recording volume down 4.1% from a year ago.

K mart, which was one of the last to pull out of the last sales slump, now looks a likely candidate to be among the first to drop in the next version of the economic doldrums. Though sales for the 10-month period are up 7.7%, November volume dropped 1.5%.

However, Wal-Mart's total sales for November were up 30.1%, with comparable store results gaining 5% for the month and 8% for the 10 month reporting period.

November sales a soft holiday start

		Nov. Sales*		Stores		10-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,8]	− 5.3	2,318,900	2,449,100	800	804	20,513,800	20,431,400	+ 0.4
Penney[4]	+ 3.0	1,341,000	1,302,000	1,979	2,020	9,676,000	9,579,000	+ 1.0
Ward[1,7]	− 4.1	435,200	453,900	316	323	3,591,400	3,700,100	− 2.9
Federated[5,7]	+ 9.9	773,700	704,000	471	451	6,274,700	5,877,800	+ 6.8
Dayton Hudson[7]	+ 23.1	836,800	679,900	1,211	1,149	6,538,800	5,659,800	+ 15.5
May Dept. Stores	+ 12.0	515,400	461,500	2,034	1,774	3,953,800	3,583,000	+ 10.9
R. H. Macy	+ 10.8	445,600	389,700	95	96	3,446,100	3,218,000	+ 7.0
Associated Dry Goods	+ 12.8	431,200	382,200	341	332	3,337,000	3,013,000	+ 10.8
Allied Stores	+ 9.4	416,500	380,700	639	596	3,184,500	3,027,500	+ 5.2
Carter Hawley Hale[7]	+ 9.5	386,300	352,900	299	268	3,047,100	2,762,000	+ 10.0
Mercantile	− 0.9	193,513	195,318	80	79	1,445,321	1,328,734	+ 8.8
K mart[6,8]	− 1.5	1,821,200	1,849,700	2,187	2,174	16,907,500	15,700,900	+ 7.7
Wal-Mart	+ 30.1	925,000	711,000	868	751	6,602,000	5,038,000	+ 31.0
Woolworth	+ 3.9	504,000	485,000	N/A	N/A	4,634,000	4,451,000	+ 4.1
Household Merch.[2,3,7]	− 10.0	396,400	439,100	3,532	3,704	4,315,100	4,227,900	+ 2.0
Zayre[4]	+ 9.0	387,200	355,100	960	848	2,969,400	2,496,500	+ 19.0
Bradlees	+ 32.3	176,000	133,000	158	132	1,204,000	1,047,000	+ 15.0
Rose's	+ 17.8	127,730	108,432	205	195	180	721,694	+ 10.1
Ames	+ 93.0	164,400	85,300	454	180	1,132,200	639,300	+ 77.0
Jamesway	+ 18.3	56,015	47,344	91	85	407,258	362,880	+ 12.2
Heck's	+ 14.3	54,400	47,600	165	126	420,900	380,700	+ 10.6
Melville[7]	+ 7.8	410,900	381,100	5,567	5,296	3,750,105	3,367,547	+ 11.4
Tandy	+ 24.8	326,744	261,885	N/A	N/A	2,369,447	2,122,692	+ 11.6
Edison Bros.	+ 3.3	63,200	61,200	N/A	N/A	686,800	677,200	+ 1.4
The Gap	+ 26.5	61,500	48,600	674	629	485,500	395,200	+ 22.9
Circuit City	+ 36.5	81,500	59,700	111	N/A	483,400	365,200	+ 32.4
Totals & Averages	+ 6.4	13,650,302	12,825,279	—	—	112,170,696	104,174,047	+ 7.7

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,613 franchise stores (vs. 2,742 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 338 Zayre stores (vs. 290 a year ago), 431 Hit or Miss stores (vs. 402) and 191 T. J. Maxx stores (vs. 156). [5] Excludes supermarket sales. [6] Store count is for K mart stores only. [7] Continuing operations only. [8] Domestic operations only.

Pace outflanks East competition

Not too long ago the East Coast was deemed a prime area for growth of cash and carry warehouses, but Pace Membership Warehouse is quickly outflanking the competition in the East.

Cash rich from a recent public offering, last fall the Denver-based Pace opened three warehouses in Baltimore/Washington, in a market once thought to be the target of Price Club. Pace's other eastern locations include Charlotte, N.C., Atlanta, Tampa/St. Petersburg.

The three Baltimore/Washington warehouses cost some $35 million to get off the ground. Each is projected to do about $40 million a year. Pace funded the openings with part of the $54 million it raised from a recent public offering of 3.5 million shares of common stock.

The three Baltimore/Washington openings, coupled with two additional openings in late December, in Pittsburgh and Tampa, give Pace 14 warehouses.

Chain Store Age
GENERAL MERCHANDISE TRENDS FEBRUARY 1986

LICENSING

TWO DOLLARS PER ISSUE

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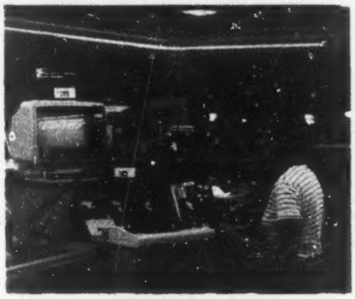

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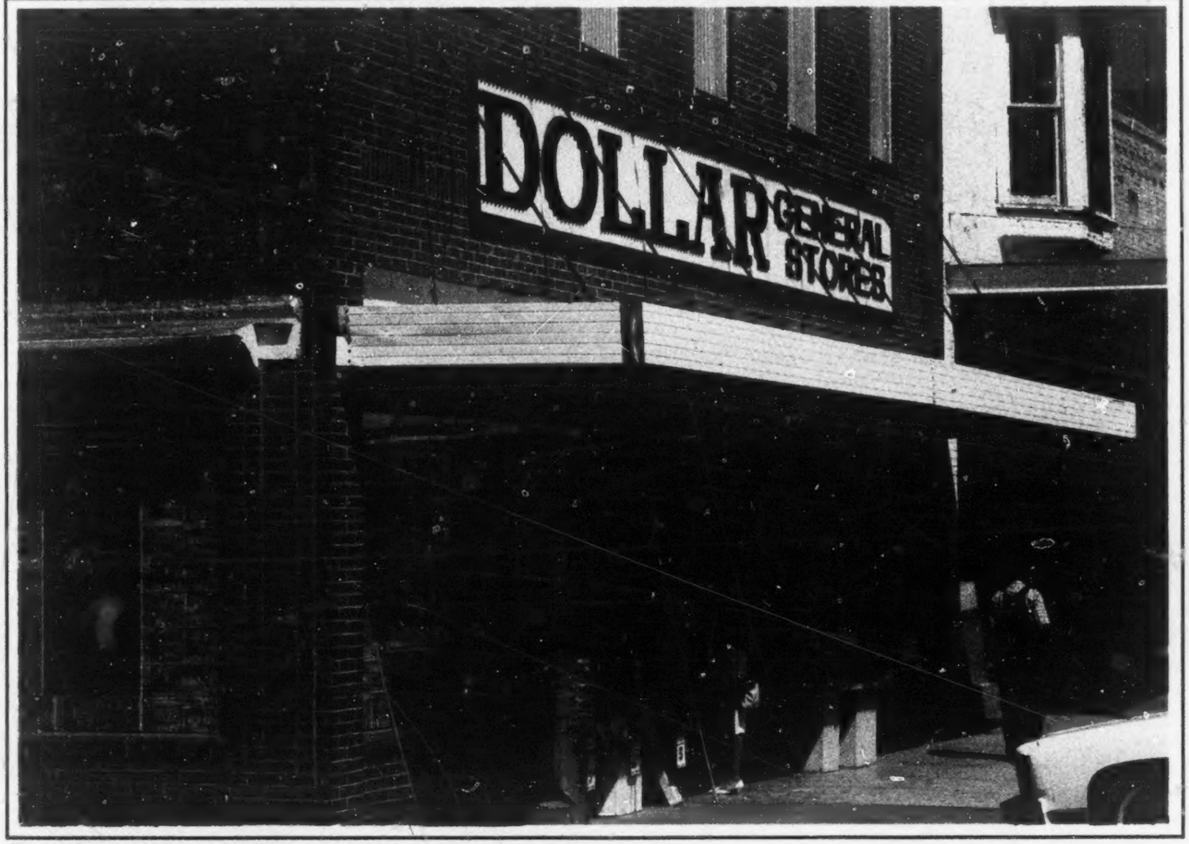
BIG CHAINS CAN'T MATCH PERFORMANCE OF REGIONALS

Bigger is not always better. A close examination of the performance of key regional chains finds them outperforming nationals in sales and growth.



***Several small regionals** have multiplied into powerhouses.*

From 1980 through 1984, their compound annual sales climbed 24.9%, 24.6% and 23%.

Their pretax earnings zoomed ahead during that period 34.4%, 18.7% and 37.9%, respectively.

And, perhaps more impressively, their sales growths relative to the markets they operate in outdistanced GAF (general merchandise, apparel and furniture) gains by, respectively, 179.8%, 192.9% and 177.1%.

They are the superstars of regional companies—Ames, Nordstrom and Dollar General.

In a retail world that is dominated by national companies and by once small regionals that have multiplied into powerhouses, Ames, Nordstrom and Dollar General demonstrate that even little kids can compete successfully with the big guys on the block.

And yet, the success of Ames and Nordstrom put them on the verge of leaving the ranks of regional companies (defined by *Chain Store Age* as those retailers with less than $1 billion in sales and operating in a limited number of states).

Both Ames and Nordstrom will pass the billion dollar mark in 1985 sales. Ames did it with its purchase of G. C. Murphy. Nordstrom accomplished the feat without the benefit of any acquisitions.

It is, nonetheless, instructive to review how regional chains have been performing. Since *CSA* last evaluated their performance three

Nordstrom is the class of regional department stores

Rank*	Chain	1984 sales (000 omitted)	% 1984 sales change	% 1984 pretax income change	Pretax income % sales	Sales per gross sq. ft.	Pretax income per gross sq. ft.	% pretax income ROA	% change compound pretax income '80-'84	% change compound sales '80-'84	% relative sales change to market '80-'84
1	Nordstrom (Seattle)	$982,668	+24.7	− 1.8	7.4	$276	$20.35	12.1	+18.7	+24.6	+192.9
2	Hess's (Allentown, Pa.)	273,500	+11.1	+34.3	6.6	99	5.56	10.3	+42.5	+ 5.9	+ 17.1
3	Elder-Beerman (Dayton, Ohio)	311,926	+ 8.8	+ 1.2	3.5	122	4.28	6.9	+25.5	+11.2	+ 55.6
4	ZCMI (Salt Lake City)	189,812	+ 5.6	+62.5	7.1	126	8.66	10.6	+24.3	+ 6.9	− 30.6
5	D. H. Holmes (New Orleans)	271,081	+ 7.0	−25.2	3.6	128	4.68	6.2	+ 4.8	+ 8.3	—
6	Sage-Allen (Hartford)	65,500	+ 6.3	−17.8	4.6	129	5.11	7.9	+15.5	+ 5.5	− 50.0
7	C. R. Anthony (Oklahoma City)	416,381	+ 5.2	−26.2	3.2	113	3.66	11.3	− 2.6	+ 7.2	− 14.3
8	Wieboldt's (Chicago)	191,216	+ 5.4	—	—	113	—	—	—	+ 3.3	− 40.6

*Ranking based on all ratios except 1984 sales.
Source: *CSA* research, annual reports, U.S. Commerce Dept.

years ago, the roster of publicly held companies has markedly changed. Woodward & Lothrop and Higbee's have been acquired and gone private. Caldor is now part of Associated Dry Goods. Hills, Duckwall-ALCO, Lamston's and Cornet Stores of Pasadena, Calif., have gone private. Grand Central sold out to Fred Meyer.

Moreover, since 1980 the list of regionals that have either folded or been absorbed by others include FedMart, Two Guys, United Dept. Stores, Kuhn's, Twin Fair, City Stores, King's and Halle's.

Before, regional retailers had to worry about the K mart onslaught, or the effect of regional shopping center development that brought Sears, Penney and Montgomery Ward and a bevy of city-based department stores into the suburbs and beyond.

Now, they are challenged by much more aggressive supra-regionals such as Bradlees, Caldor, Target and Wal-Mart, companies whose tentacles have branched out.

A look at the record demonstrates the potency of the supra-regionals. Since 1980, Sears has managed to post a 6.5% compound sales gain; K mart's discount stores, +9%; Penney, a disappointing 4.3% compound growth.

Compare that to Bradlees' +16.3%, Caldor's +17.1%, Target's +23.4% and Wal-Mart's phenomenal +40.5%.

Even more revealing is their performance relative to the GAF sales growth in the country and by region. The measurement provides a truer definition of a company's salespower. It's a simple but eye opening comparative exercise—a retailer that increases sales 10% in a region where GAF sales moved ahead by 5% is better than a merchant who recorded a similar 10% gain in a region where GAF sales increased 15%.

In New England, according to the U.S. Dept. of Commerce, GAF sales had a 1980-84 compound growth rate of 11%; Mid-Atlantic states, +8.2%; South Atlantic states, +9.9%; East North Central states, +6.4%, East South Central states, +9.1%; West North Central states, +7.5%; West South Central states, +8.3%; Mountain states, +9.8%; and Pacific states, +7.9%.

Nationally, GAF sales had a compound growth of 8.4%. Thus Sears' 6.5% sales gain really means that Sears had a −22.6% sales pattern. K mart's relative sales gain was 7.1%, but Penney's was a disastrous −48.8%.

Meanwhile, relative to GAF sales in their respective regions, Bradlees' sales did better by +75.3%, Caldor's +92.1%, Target's +203.9% and Wal-Mart's +355.1%.

But those super numbers pertain to the supra-regionals. What about the still truly regional companies? How are they faring?

It's a good news-bad news answer. Three of the 19 companies *CSA* analyzed (Danner's, Heck's and Wieboldt's) had no pretax earnings in 1984. Two more (Sprouse Reitz and C. R. Anthony) had lower pretax earnings in 1984 than in 1980.

C. R. Anthony, more than any other chain, shows how sharply fortunes can turn. Back in 1983, C. R. Anthony finished No. 1 in *CSA*'s rankings of nine regional department stores. This time, the Oklahoma City-based junior department store chain dropped to seventh out of eight companies studied.

(The rankings cover nine criteria: percentage changes in sales and pretax earnings 1984/83, pretax earnings to sales percentage, sales and pretax earnings per gross square feet, pretax earnings return on assets, per cent changes in compound sales and pretax earnings 1980-84, and the relative compound sales growth vs. GAF sales in the respective markets.

Overall sales volume was not included in the evaluation. For each criterion, a point score was given, with a "1" being the best score. The chain with the lowest total for all the financial yardsticks earned top honors.)

While C. R. Anthony suffered in the rankings, primarily because of lower fourth quarter sales and profits in 1984, the chain retained a strong foundation on which to re-

Ames moves up to top billing among regional discount stores

Rank*	Chain	1984 sales (000 omitted)	% 1984 sales change	% 1984 pretax income change	Pretax income % sales	Sales per gross sq. ft.	Pretax income per gross sq. ft.	% pretax income ROA	% change compound pretax income '80-'84	% change compound sales '80-'84	% relative sales change to market '80-'84
1	**Ames** **(Rocky Hill, Conn.)**	$821,905	+27.0	+48.4	6.1	$ 95	$5.81	15.5	+ 34.4	+24.9	+170.8
2	**Venture** **(St. Ann, Mo.)**	915,000	+17.5	+14.2	5.4	145	7.86	12.0	+ 57.0	+15.3	+ 28.6
3	**Jamesway** **(Secaucus, N.J.)**	475,406	+14.1	+17.0	5.2	100	5.21	13.8	+ 38.6	+14.9	+ 81.7
4	**Rose's** **(Henderson, N.C.)**	927,386	+11.8	+ 5.8	4.5	103	4.65	10.4	+ 35.4	+15.2	+ 25.7
5	**Duckwall-ALCO** **(Abilene, Kan.)**	363,674	+14.8	−54.3	2.0	81	1.65	5.3	+ 6.9	+20.2	+137.6
6	**S. E. Nichols** **(New York)**	275,547	+ 3.7	− 5.2	4.3	63	2.68	9.6	+100.6	+ 7.0	− 23.1
7	**Danners** **(Indianapolis)**	189,022	+13.8	—	0.2	87	—	0.6	—	+12.4	+ 93.8
8	**Heck's** **(Charleston, W. Va.)**	484,734	+ 6.6	—	—	66	—	—	—	+12.2	+ 40.8

*Ranking based on all ratios except 1984 sales.
Source: *CSA* research, annual reports, U.S. Commerce Dept.

build. Even with a 26.2% drop in pretax earnings it sustained an 11.3% pretax income return on assets, second best of any regional department store.

Moreover, it has aggressively marketed itself with such programs as Anthony's Allegiance Club, a frequent flyer type promotion that enlisted more than 120,000 members during its first six months.

Even as C. R. Anthony tumbled from first to seventh in the department store field, Rocky Hill, Conn.-based Ames catapulted itself from seventh to first in the discount store arena. Known as the Wal-Mart of the Northeast with its concentration in small towns, Ames doubled Bradlees' and Caldor's relative sales growth in their markets.

Though some may point to Ames' pickup of 42 former Kings stores as a key reason for the big sales hike, they would be overlooking a 16% same store sales increase in 1984 that followed a 14% same store sales gain the year before.

The success Ames enjoyed in small markets was not shared by all of its discount brethren. S. E. Nichols, with a small store strategy in many of the same eastern states as Ames, had a −23.1% sales pattern relative to its markets.

Lower relative sales growth showed up in department store ranks, too. In one of the hottest retail markets of all, the Washington, D.C. metro, Woodward & Lothrop slipped 0.1%. In New York, B. Altman dropped a more ominous 39%. In farm-economy plagued Iowa, Younkers suffered a 26.7% reduction relative to the overall region's growth.

***Department stores** showed lowest relative sales growth.*

Among public regional department stores, Wieboldt's in Chicago, Sage-Allen in Hartford and Salt Lake City's ZCMI fell miserably short of their respective regions' growths. New Orleans' D. H. Holmes could manage only a break even with its area's 8.3% gain.

Out west, the Pacific Coast and Mountain states came through the 1980-84 period with an 8.4% compound sales gain, equal to the national average. Someone forgot to tell Nordstrom what it means to be average.

The Seattle-based specialty store retailer churned out a 24.6% compound sales gain that equated to a +192.9% growth relative to market.

Nordstrom by far and away was the premier department store company, with an unbelievable $276 in sales per gross square foot ($100 higher than Macy's) and an even more incomprehensible $20.35 in pretax profits per gross sq. ft. ($5 above Macy's). The latter number is more impressive when one realizes that it reflects a down year in 1984

Dollar General edges out Family Dollar in regional variety store competition

Rank*	Chain	1984 sales (000 omitted)	% 1984 sales change	% 1984 pretax income change	Pretax income % sales	Sales per gross sq. ft.	Pretax income per gross sq. ft.	% pretax income ROA	% change compound pretax income '80-'84	% change compound sales '80-'84	% relative sales change to market '80-'84
1	Dollar General (Scottsville, Ky.)	$480,514	+38.6	+34.8	8.3	$79	$6.61	23.0	+37.9	+23.0	+177.1
2	Family Dollar (Charlotte, N.C.)	[illegible]	[illegible]	[illegible]	[illegible]	76	9.71	29.3	+31.3	+22.5	[illegible]
3	Sprouse Reitz (Portland, Ore.)	182,666	+14.8	+10.9	5.2	46	2.38	12.5	− 1.9	+ 6.2	− 26.2

*Ranking based on all ratios except 1984 sales.
Source: *CSA* research, annual reports, U.S. Commerce Dept.

when Nordstrom's pretax profits declined 1.8%.

Nordstrom has succeeded by aggressively seeking out business where competition already has been keen. Since 1980 it has opened five units in heavily department-stored Southern California and three in Utah where ZCMI had dominated.

Unlike Nordstrom, Hess's has sought to be a big fish in a little pond. Its midsize-markets approach has given it an enviable position. While it lagged in sales per gross square foot at $99, it had a respectable pretax income per square foot of $5.56, and a compound growth in pretax income of $42.5, tops in the department store field. By comparison, Mercantile had a 19.4% compound growth, Macy's +12.4%.

But perhaps the two best practitioners of small town USA retailing are Dollar General and Family Dollar. In the closest contest by retail tier, Dollar General edged out Family Dollar, a reversal of form from three years ago.

Even with a second place finish, Family Dollar distinguished itself with pretax earnings of $9.71 per gross square foot (second only to Nordstrom among the 19 chains analyzed) and a pretax earnings return on assets of 29.3%.

In winning the variety store competition, Dollar General accomplished another notable feat—head to head against Nordstrom and Ames, Dollar General emerged as the No. 1 regional retailer.

Dollar General had the best scores for percentage sales gain year to year, pretax income as a per cent of sales, pretax income return on assets and per cent compound growth pretax income.

A company that places a high value on low rentals (2.86% of sales in 1984), Dollar General showed its commitment to fast utilization of assets with its acquisition in 1983 of 280 P. N. Hirsch stores spread over 11 states. ☐

The nation's 700 chain-operated closeout stores had combined sales of more than $1 billion last year. Closeout retailing may eventually eclipse off-price apparel.

Closeout stores enter mainstream

Quite a few general merchandisers are comfortable with the prospect of selling low-priced socket wrench sets. But in pink plastic cases? Forget it.

Only a closeout merchant can turn that sort of apparent disadvantage to his favor. Howard Snyder merchandised the 40-piece pink-boxed sockets in the cosmetics department and called them lady's wrenches. He claims all 2,400 sets sold for $2.99 each in two days at his midtown Manhattan Odd Job stores.

Such marketing coups have helped double the number of closeout stores in America in just two years. The nation's 700 or so chain-operated closeout stores had combined sales of more than $1 billion last year, according to Fred E. Wintzer, an analyst for Alex. Brown & Sons.

The category remains far from overstored, however. Wintzer says the closeout business eventually may eclipse the off-price apparel industry, now estimated at $10 billion a year. He notes that off-pricers tend to carry department store assortments while closeout stores compete with every type of store, from Dollar General to Bloomingdale's.

Growth rates of the top closeout chains vary as much as the merchandise. An industry leader, the California-based Pic 'n' Save, with 94 stores and more than $230 million in annual sales, is growing by just four to nine stores a year, says Bill Thomas, executive vice president. Consolidated Stores, headquartered in Columbus, Ohio, has opened all 115 of its stores since 1982, prodigious growth for a company that previously specialized in wholesale closeouts. Sears Surplus Stores also has more than 100 outlets, but few new stores are planned.

With the industry's phenomenal growth has come a new, more mainstream closeout merchant, more likely to have reached the top by way of the executive offices of well-known retailers than from an obscure warehouse, as in the old days.

Joseph J. Collins, for example, recently appointed president of Job Lot Trading Co., comes from a traditional retailing background, having held executive positions with Carter Hawley Hale, Fed Mart and Jefferson Ward.

Last April, Peter J. Laitmon assumed the presidency of Tangible Industries, bringing experience in media, advertising, premiums and barter. He hopes to use that diverse background to bring together creative deals for moving distressed goods.

Despite the burgeoning ranks of closeout executives who have crossed over from traditional retailing, many of the merchants guiding the closeout industry came from the mom and pop tradition. The old guard often prefers to go with gut feelings rather than consult a spread sheet.

Odd Job's Snyder, despite his college degree, is from the old school of closeout entrepreneurs whose strong personalities drive their businesses. He tells depression-era tales of hiring schoolmates to roll tobacco from butts into "new" cigarettes he peddled to his Brooklyn neighbors.

The example may be extreme, but spirit like Snyder's is of undeniable importance in acquiring the right goods from among the 6% to 8% of all merchandise that fails to make it through traditional distribution channels. "Buying is the key," says John Gableman, controller at Consolidated Stores, with outlets known as Odd Lots, Big Lots and Big and Small Lots. (Not to be confused with Job Lot, Odd Lot or Odd Job.)

Wintzer of Alex. Brown agrees closeout merchandise may be hard to find but says the goods are always out there somewhere. During recessions, manufacturers sell excess inventory to raise cash. In boom times, companies overproduce or try new products, some of them bound to fail.

Closeout chains often stock some merchandise that is not really closeout, just deep discount. Such goods provide continuity and sometimes—as with food—breed repeat customer visits. Pic 'n' Save carries more than 85% closeouts, Consolidated has about 90% and Odd Job claims 100%.

Mainstream retailers are also grabbing a chunk of the available block of closeout merchandise, closeout wholesalers say. "A lot of your straight-line stores are buying closeouts to promote," says Shelly Liss, president of the Philadelphia-based Liss Brothers Inc. Reuben Dessler, president of Mazel Co. in Cleveland, agrees. "The finest names in retail chains are into closeouts," Dessler says.

ODD-JOB
TRADING
CLOSEOUT SPECIALISTS

Closeout chains still often buy on "gut" feelings.

Closeout sales by category

Product	Share
Housewares	24%
Consumer Electronics	18
Toys	16
Sporting Goods	16
Domestics	11
Hardware and Auto Accessories	10
Health and Beauty Aids	5

Source: Alex. Brown & Sons Inc.

Just how much closeout merchandise is reaching the shelves of traditional retailers is difficult to determine, but one closeout wholesaler says regular retailers are his biggest clients.

That could leave some closeout specialists wondering about the sources of their goods. And when the competition is tough, the old-line closeout chains, those with just a few people responsible for the buying, seem to compete effectively for the available goods.

In fact, trouble can begin when the strong personalities leave. Without Odd Lot's founders, the company has turned in a poor showing. When Laitmon took over Odd Lot's wholesale branch, Tangible Industries, he inherited a troubled portion of the 152-store chain.

Laitmon intends to reverse his company's fortunes by campaigning for good relations with vendors. "The toughest part is convincing the manufacturers we're for real," he says.

In keeping with the new tradition of mainstream corporate culture in closeouts, Laitmon tells manufacturers: "I don't want to be the last resort. Make me a partner. I want to be like your lawyer, your accountant. That's the future of closeouts. We're there for continuity."

Size can be an advantage in the business. "Being big enough to buy an entire lot of closeout goods eliminates competition," says Liss of Liss Brothers. Gableman says, "The larger we are becoming, the more goods are presented to us."

Small can work, too, as evidenced by Snyder and his partners at Odd Job. Snyder, whose company has seven stores and plans to expand, puts it this way: "I think that I can go up to 50 [stores] and fill them with merchandise."

Snyder prides himself on brand names and goods worthy of department stores. Experience and intuition help him choose merchandise. "In your buying, you have to go back in time and say, 'Did I have an item similar to this? Did it sell?'" He recently scored with a G.I. Joe vehicle for $40 that had reminded him of a previous success—another ride-on toy with a rechargeable battery.

"Ninety per cent of the merchandise is there because of talks and contacts I've made at trade shows," Snyder says. In addition, his company mails 150,000 letters annually to vendors, keying most of the correspondence to trade shows.

On a tour of one of the Manhattan Odd Jobs, Snyder picks up a jar of lemon-flavored Tang, a product that failed in test markets and will not become a permanent offering. The green lid and labels could not have helped. With instructions in both English and what appears to be a Middle Eastern language, the green-tinged drink powder is selling for $1.39, down from the original price of $2.99.

Licensed products past their prime also find an outlet there, Snyder says, pointing to Ziggy. In the toy department, hot licenses that have cooled are often bought as gifts by childless aunts and uncles who have fallen behind the times, at least as far as toys are concerned, Snyder says.

Odd Job features new merchandise near the door and later moves the goods back into the appropriate departments. A chalkboard near the entrance alerts shoppers to bargains expected on the floor soon.

Some people come to treasure hunt repeatedly if the merchandise changes fast enough. "The customer gets hooked on it," says Mazel's Dessler. "He comes in three or four times a week to see what's new." ☐

Many retailers have still not effectively integrated merchandising and distribution. The two are often at odds.

The same company, different goals

One of the most talked-about merchandising experiments in recent years was made possible in part by something as unglamorous as refinements in the distribution process.

In June, Sears began testing brand name goods in consumer electronics. Although it already owned a large chunk of the television market, Sears wanted to show the customer who might never consider a private label TV how well its own models stacked up against the competition.

books
personal care
automotive

Too many sales exhaust a chain's distribution system.

But Sears had a major problem—cutthroat competition from electronics superstores, who were already selling brand name CE products on the slimmest margins, and discounters, who had upscaled to brands on similarly trim profits. How could Sears, with its choice but expensive regional mall locations, compete?

Part of the answer lay in more efficient distribution. For several years, Sears strove to get more timely and accurate movement of merchandise throughout its regions. One result of that better flow of goods was that Sears achieved more rapid delivery to its stores, which allowed it to cut warehouse inventory on televisions by about half. The accompanying reduction in inventory costs meant Sears could accept a lower gross margin on the classification and become competitive with price-oriented specialists.

A stronger link: Despite the obvious links between merchandising and distribution, many general merchandise chains have still not effectively integrated the two. As a result, the kinds of dramatic merchandising changes facilitated by improved distribution—as demonstrated by the Sears example—do not happen that often.

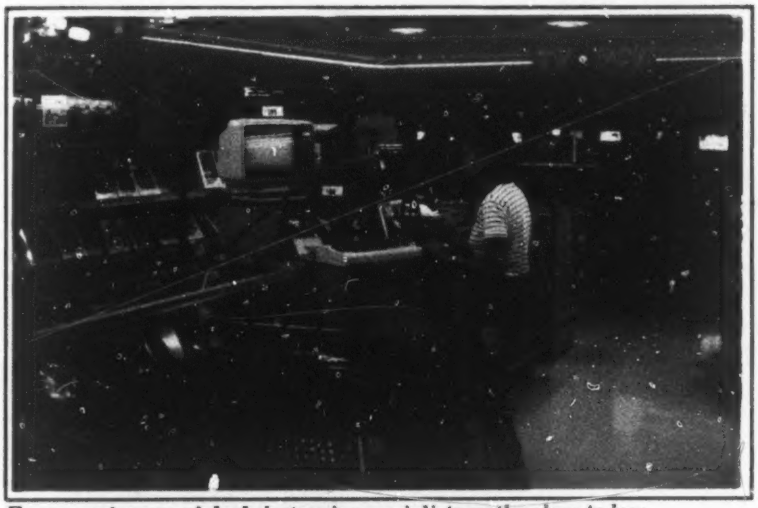
But attitudes in retailing are beginning to change as merchants strive to better understand how a buyer's decisions influence costs and how improvements in distribution affect merchandising. Some retailers are training buyers to take better advantage of the benefits of improved distribution. And more merchandisers are being brought into the process of planning new distribution facilities.

Old habits do not die easily, however, and some industry observers say that in most cases distribution and merchandising are still at odds with one another.

UPSCALING AND BRANDS BEGIN TO PAY OFF

Discounters picked up market share in 1985, but there are doubts they can hold on to long-term gains. Audiovideo specialists lost market share.

The wave of upscaling, broader assortments, better presentations and the addition of more nationally advertised brands is beginning to pay off for discounters. Amid the fanfare which accompanied the opening of one electronics superstore after another in 1985, an important fact got lost in the hoopla. Audiovideo specialists—which include both superstores and smaller independents—lost market share.



Fewer customers picked electronics specialists as the place to buy.

Discount stores are the primary beneficiary, but there are questions as to whether or not discounters can hold onto their new found strength in the long term competitive environment.

For 9 out of 12 key home electronics products, *Chain Store Age*/Leo J. Shapiro & Associates research shows that proportionately fewer customers picked the specialists as the place to buy in 1985 than they did the year before. In contrast, discount stores recorded market share increases in 9 of the same 12 categories measured.

Coming on the heels of record year-end sales figures for the major electronics superstore chains, the research conclusions, at first glance, look out of line with actual performance. For example, *CSA* estimates that the specialists sold 63 million units of blank videotape in 1985, compared to 55 million units the year before, for an increase of 15%. However, from 1984 to 1985 the entire market for blank videotape grew by 40%.

On the whole, the study shows that as a group the electronics specialists are underperforming industry sales averages, while discounters are outperforming the industry norm.

Already, discount stores record more than twice as many unit sales in telephones than do their specialty outlet competitors. In blank videotape, portable headphone stereo and boom boxes, discounters' share of the market now nearly equals the market share held by specialists.

The only electronics categories where a-v specialists maintain a commanding lead are televisions and video cassette recorders where they garner 44.8% and 35.4% shares, respectively.

While no single factor fully explains the discounters' growth, near the top of the list must be the addition of more—and more prestigious—national brands to their merchandise mix.

Until recently, discount stores have been unable to fully utilize their "national brands at low price" strategy to its fullest potential in home electronics because some vendors purposefully shunned the discount distribution channel.

The most notable of the holdouts was Sony, but even the biggest of the stragglers has had second thoughts about discount distribution in the last two years, and the effects have been dramatic.

Preliminary research indicates that as many as 15% of consumers who say they expect to buy a Sony product in 1986 also report that they expect to buy it at a discount store. And customer expectations about buying national brands at discount stores is not limited only to Sony.

Again, preliminary research shows that as many as 20% of those who intend to buy a Pioneer product and 22% of consumers who expect to buy Panasonic say they will make their purchase from a discounter this year.

No superstore demise: Those expecting the much publicized superstores to go belly up as the result of discounting's success, however, would be sadly misled. Paradoxically, it is aggressive—and success-

A-V specialists losing market share to discounters

Where did you buy your last . . .	Sears, Penney, Ward		Discount stores		Department stores		Catalog showrooms		A-V specialists	
	'84	'85	'84	'85	'84	'85	'84	'85	'84	'85
VCR	12.7%	15.6%	18.0%	14.2%	14.0%	8.7%	2.0%	2.1%	[illegible]	[illegible]
Telephone	7.7	11.3	17.4	20.5	7.2	7.5	5.0	4.5	7.5	7.7
Computer software	14.6	11.3	21.3	14.4	3.4	5.2	3.4	5.7	[illegible]	18.6
Blank video tape	3.5	5.6	33.5	33.6	3.1	5.6	3.1	4.5	41.1	34.4
Telephone answerer	19.3	8.6	11.4	16.7	5.7	11.4	15.9	1.4	14.8	25.7
Car stereo	7.2	6.3	9.2	11.1	2.8	5.6	1.6	NR	49.2	26.8
CD player	12.1	12.2	6.1	7.3	12.1	14.6	8.1	2.4	45.4	25.3
Home computer	15.5	12.0	16.5	18.7	7.4	6.7	5.5	1.3	29.4	13.3
Headphone stereo	10.5	13.8	17.2	23.2	7.1	7.4	18.8	12.3	30.8	27.0
Stereo	20.8	15.4	3.9	15.4	9.9	7.7	2.0	2.2	53.4	46.4
Boom box	19.7	12.0	24.4	22.8	8.4	12.0	6.6	8.2	45.4	25.3
Television	21.0	18.6	17.1	14.8	6.8	10.5	1.1	3.4	30.1	44.8

Source: *Chain Store Age*/Leo J. Shapiro & Associates

NR = No response

ful—superstores themselves which are causing the drop in market share for a-v specialists as a group.

When superstores move into a market, it is smaller, independent specialty retailers who become their prime victims. Better positioned discounters, along with superstores, are picking up debris.

"It's coming out of the hide of mom and pop-type operators, from whomever cannot offer breadth of merchandise, service and pricing," says St. Petersburg, Fla.-based Raymond, James analyst Richard Lilly.

As evidence, Lilly cites superstore Circuit City's "awesome" first year's performance in the $350 million Atlanta home electronics market, where he estimates that with only four stores totaling only 114,000 sq. ft., Circuit City has grabbed $48 million in sales.

One of the results of Circuit City's entry into Atlanta, according to Lilly, was the demise of $2 million independent Back Door Stereo, which shuttered its doors shortly before Christmas. Other independents are also suffering, he says.

Short term opportunity: As superstores continue expanding, the short term result of their increased market share will be increased pressure on their smaller, independent rivals, much like the Atlanta experience. If the number of independents declines, it will present a continuing short-term opportunity for discounters to pick up some of the independents' lost market share.

In the long term, the effect of superstores will present competitive problems for discounters, and, in fact, for all general merchandisers selling consumer electronics.

Sears Business Systems Centers national manager John Rollins speaking in another context, summed up the problem: "In a shakeout, one is rarely left with weaker competition at the end of the shakeout than at the beginning." ☐

K mart, three years later: It's working

Three years ago, when K mart unveiled its consumer electronics department prototypes at its stores in Troy and Rochester, Mich., most observers were impressed with the discounter's efforts to upscale. However, many remained skeptical as to whether or not K mart could really shed its blue light special image and, as then senior buyer Fred Shimp said, "develop an organization to sell products of the computer age."

Fred Shimp took early retirement a year ago, but K mart has managed to make its program work—despite some major drawbacks. According to *Chain Store Age*/Leo J. Shapiro & Associates research, K mart has grown its market share for 11 of 12 key home electronics products. The sole exception is computer software, where the market has gone to the specialty computer stores.

K mart's growing market share

Where did you buy your last . . .	1984	1985
VCR	0.7%	1.7%
Telephone	4.8	5.8
Computer software	12.4	7.2
Blank video tape	5.4	6.6
Telephone answerer	NR	2.0
Car stereo	2.8	4.8
CD player	NR	NR
Home computer	5.5	6.5
Headphone stereo	[illegible]	[illegible]
Stereo	2.0	3.3
Boom box	6.7	7.9
Television	2.8	6.5

NR = No response
Source: *Chain Store Age*/Leo J. Shapiro & Associates

K mart continues to do best in mature product categories, such as portable audio, or in commodity items, such as blank videotape. It has yet to create a presence in either video cassette recorders or compact disc players. Yet, the discounter is carving out market share increases nearly across the board.

Unlike other discounters, K mart actually grew its share of the television market in 1985, rising from 2.8% in 1984 to 6.5% last year. In stereos, however, it continues to suffer from its late addition of rack systems to the mix. Its increase from 2% in 1984 to 3.3% last year, though a healthy gain, is well below the performance recorded by the rest of the discount field.

Traffic dim, but TV picture bright

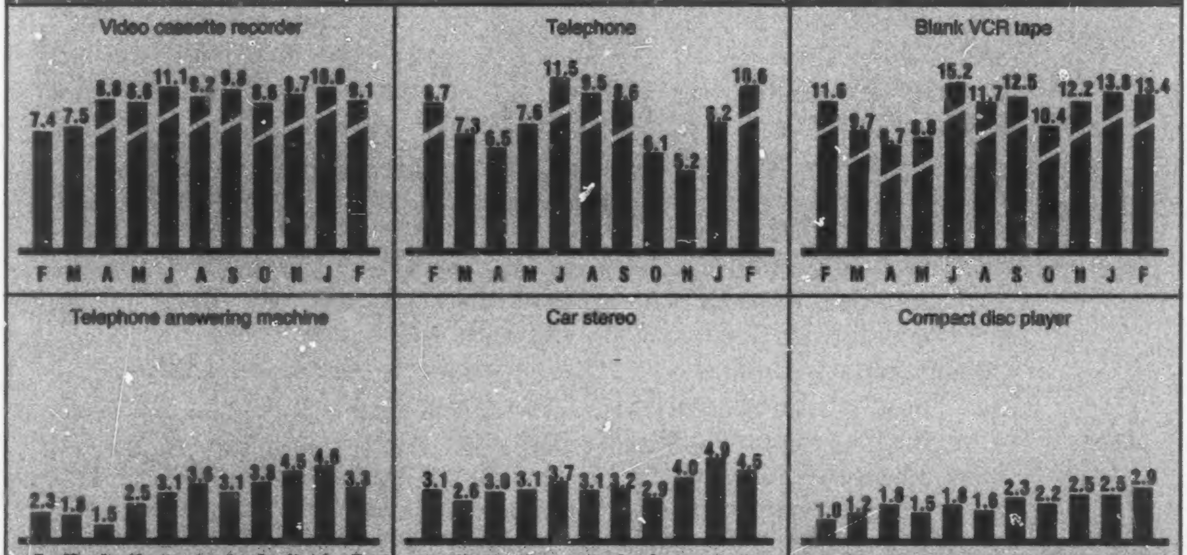
Judging the potential size of the television market in 1986 simply from January store traffic may lead some to underestimate seriously the true level of consumer interest. According to the latest MarkeTrends survey, the number of households actively shopping for a TV in the last 30 days was about equal to the amount shopping in last year's study.

Consumer intent to buy a television this year, however, is running significantly higher than 1985's totals. According to the recent poll, 8.9% of households surveyed report they expect to buy a TV in 1986.

For compact disc players, though, January traffic will be a good indicator of the year's sales gains—if sources can keep manufacturing capacity up to the high levels of consumer demand. The number of households actively shopping for a CD player last month was three times higher than last year's poll.

Comparing January totals for VCRs to the same month's figures in 1985 should also be a good predictor for the coming year's performance, according to MarkeTrends. Exactly the same number of households (3.8%) was in the active market in both surveys. ☐

1985-86 Consumer Buying Intentions*†



*% of households might buy N.M. = Not measured †July and December 1985 not measured Source: [illegible]

CD players excite record interest levels

Consumers are recording high levels of interest in CD players.

When the Compact Disc Group shuttered its doors at the end of December, the trade organization founded to promote CDs and players in their infancy had accomplished its original task—perhaps too well.

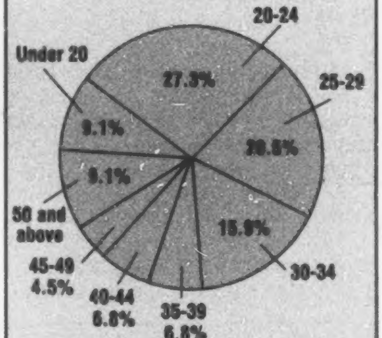
Consumers in the February MarkeTrends poll are recording such high levels of interest in buying CD players that a shortage now seems certain. In the most recent survey 2.9% of households polled report that they intend to buy a compact disc player in 1986.

If every potential buyer in the survey were to buy a CD player in the coming year, the poll's results would translate into sales of 2.4 million units. Since consumers in the MarkeTrends survey traditionally underestimate their actual buying plans, *CSA* estimates the true potential at approximately 4.9 million units.

Young, well-heeled customers are driving the market, according to the poll. Over half (56.9%) of those who either already own a CD player or who plan to buy one in the next year are under 30 years old. Almost 2 out of 5 are under 25 years old.

In addition, household income is well above the norm. Of those who already have a CD player or who expect to buy, 38.1%, report incomes in excess of $40,000. Nearly 3 in 5 (57.1%) say their annual income is over $30,000. ☐

Compact disc player's youthful market*



*Age of those who have bought in the last year or intend to buy in the next year.

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Auto sound sales peak in October

Did low auto loan interest rates offered by American car makers boost sales for auto sound equipment last summer? According to MarkeTrends research, increased consumer interest in car stereos was a byproduct of the promotional auto loans.

Traditionally, consumer shopping patterns for auto sound peak in December and June and slacken in the deep winter months. Last year, according to MarkeTrends, car stereo customers were following their historic pattern right through July.

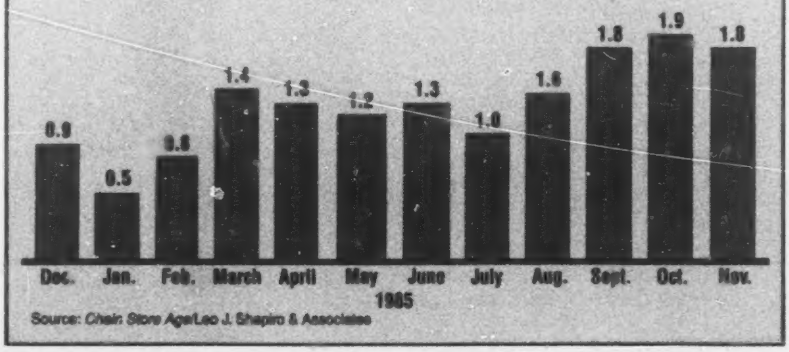
Then came August and the automaker's heavily advertised car loans. Suddenly, the number of households in the active market shot up 60%, reaching a high of 2% in October—nearly double the number recorded only three months ago.

Aftermarket retailers, though, did not see increased shopping at similar dramatic levels, since MarkeTrends measures both factory installations and aftermarket sales. Consumer interest in auto sound, however, continues at the highest level in years, and aftermarket retailers are reaping some of the benefits.

Those who bought a car stereo in the last year report buying at audio-video specialists with the greatest frequency (35.7% of units sold). Following are auto sound specialists (11.1%), discount stores (11.1%), the Big 3 mass merchants (6.3%) and department stores (5.6%). ☐

When consumers shopped for car stereos

% households shopped for a car stereo in last 30 days



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Promotions help grill sales sizzle

Discounters and catalogers are promoting barbecue grills harder than ever, despite recent price footballing. It must be paying off, as discounters control 28% of the business.

Despite the recent footballing of barbecue grill prices, a recent *Chain Store Age* survey of discount and catalog store buyers finds retailers pleased with the business.

In fact, a survey of over 60 top discounters and catalogers representing over 7,000 units finds they are promoting harder than ever to keep their share of the business. They are also moving toward grills with features and more grill accessories as a way to bolster margins.

Discounters currently control 28% of the $450 million grill business, followed by department stores with 25% and catalogers and home centers with 10% each.

Perhaps the most formidable competition emerging is the wholesale club. One Chicago area wholesale operation recently featured the Weber-Stephen One Touch Charcoal grill at $46, below the wholesale price of $52.

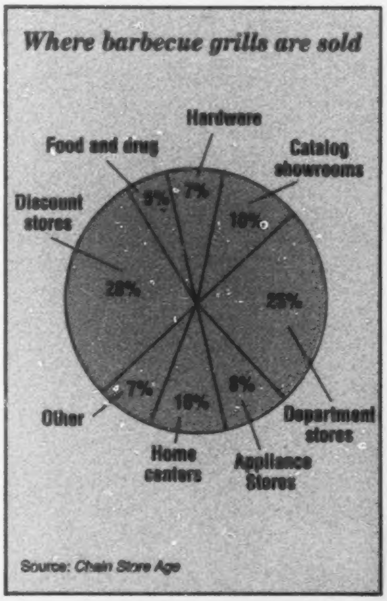
Undaunted by this new threat, discount and catalog retailers say they are maintaining margins. Almost 56% say they have kept margins in the 20% to 30% range. Additionally, they keep markdowns to only 10% to 20% when grills are promoted.

Grills are on sale frequently. Most buyers say they rollback prices six times a year. The key months, according to the survey, are June, when 22% of sales are generated, May with 20% of sales and July with 14%.

Accessories hot: Although most retailers say they carry grills as both a traffic lure and a margin producer, grill parts and accessories yield the most attractive margins. Seventy-seven per cent of buyers indicate they sell these items, which carry margins in the 35% to 45% range, in order to offset lower grill profits. The most popular lines of accessories include Certified with 77.8% share, Sunbeam with 11.8%, Structo with 11.8% and Outdoor Chef with 5.9%.

Just because retailers are pushing accessories does not signal maturation for grills themselves. Gas grills are the new driving force behind the classification and it is estimated only 15% of the population own gas grills. With that in mind, retailers are paring back charcoal and electric grills.

Where barbecue grills are sold



Source: *Chain Store Age*

Potential sales increase in 1986?

	Charcoal	Gas	Electric
0%	38.9%	5.6%	71.4%
1%-10%	50.0%	55.6%	14.3%
20%-30%	11.1%	38.9%	14.3%

Source: *Chain Store Age survey of discount buyers.*

A significant 38.9% expect gas grills to grow at a 20% to 30% sales clip next year. The acceptance of gas grills has allowed discounters to dabble in higher price points. K mart upped its ceiling to $250, for example. Opening price points still hover at $99, and 37% of the *CSA* survey pegged the best price points as those in the $150 to $200 range.

Retailers should add even more grills with features this year. The favorites include sideboards, additional grilling levels, new colors such as graphite and earth tones, and fluidless chimney starters.

Clearance Sale

***Grills are used** as a traffic lure.*

Who is hot? Sunbeam received the highest overall rating, followed by Structo, Weber and Meco, when judged on delivery, product quality, consumer acceptance, retailer profit, consumer and manufacturers support and co-op advertising.

Sunbeam was perceived as very strong in delivery, quality and support, but faltered some in retailer profit and co-op advertising. Structo was viewed as good in delivery, product quality and consumer and manufacturer support, but low in consumer acceptance and profit. Weber made the grade as far as quality, delivery and consumer acceptance. ☐

Cookware stages comeback

Cookware suffered last year but should make a strong recovery in 1986. According to this month's MarkeTrends, 8.5% of the households surveyed plan to buy cookware in the next 12 months.

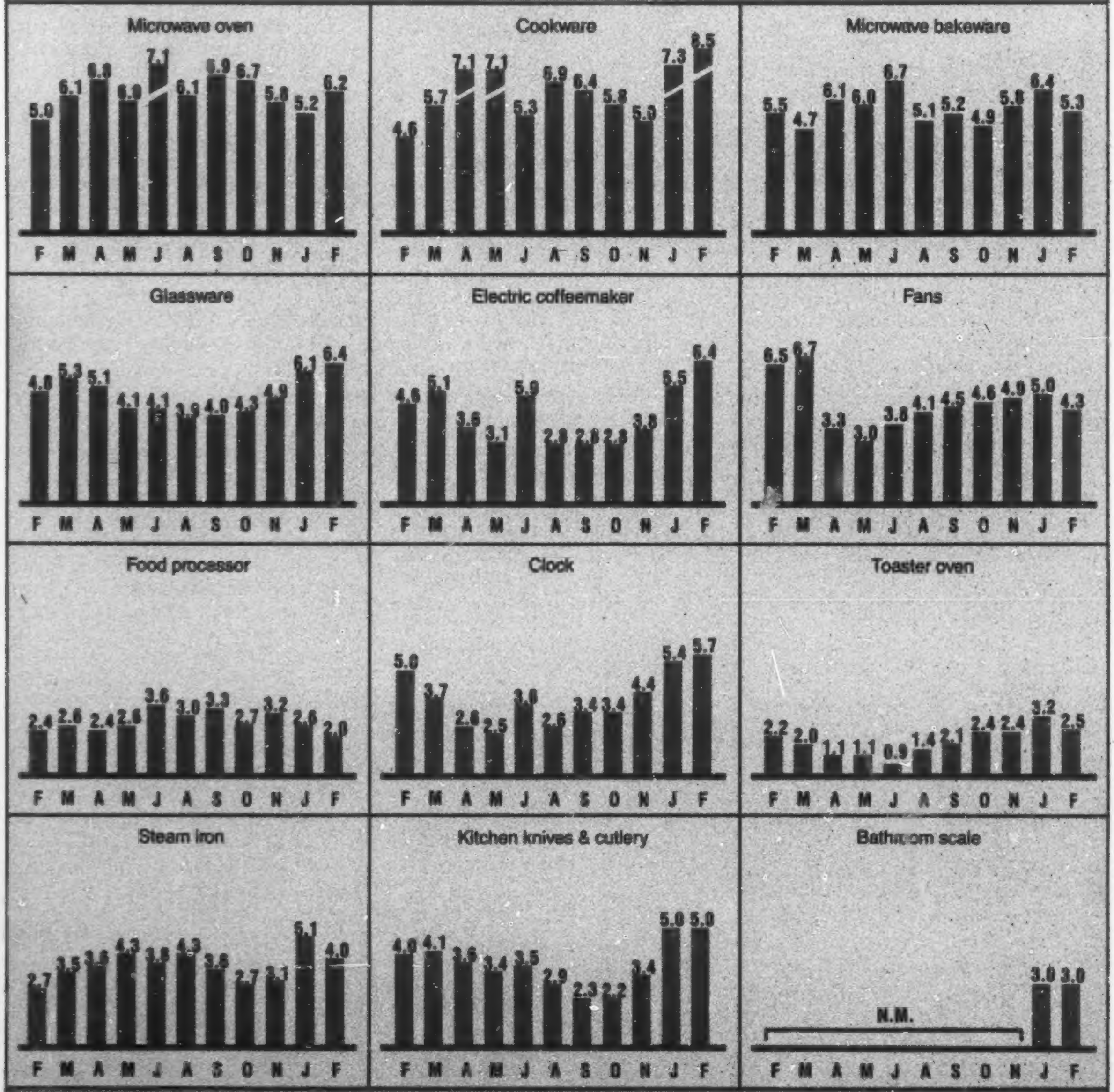
This is the highest intent-to-buy percentage logged since *Chain Store Age*/Leo J. Shapiro & Associates started tracking the classification. It far exceeds the low 4.6% of households interested in cookware.

Retailers confirm the sales bonanza in cookware. They say sales are being activated by anodized cookware, copper cookware, better value cookware sets and increased promotion. Department stores are giving up as much as eight pages in advertisements to cookware messages from vendors such as Calphalon, All-Clad LTD and Magnalite.

After three months of declining intent-to-buy, microwaves show a resurgence this month with just over 6% of those questioned indicating plans to buy a microwave.

Other categories did not fare as well. Intent-to-buy microwave bakeware dwindled from 6.4% last month to 5.3%. Consumers are putting plans to buy fans, food processors, toaster ovens and steam irons on hold. □

1985-86 Consumer Buying Intentions†*



* % households might buy   N.M. = Not measured   † July and December 1985 not measured   Source: Chain Store Age/Leo J. Shapiro & Associates

Upgraded tastes in glassware

Though most in the survey "preferred" Waterford, Libbey actually sold best.

Middle price points gain
How much would you expect to pay for glassware?

	August 1983	February 1986
under $15	56.8%	43.6%
$35 and under	20.9	34.7
$36 and up	22.3	21.7

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Retailers have been integrating fine glassware into everyday selections in the housewares department. Their efforts are paying off in greater recognition of better glassware, according to this month's MarkeTrends report.

When households were asked what brand glassware they would buy, an astonishing 12.5% picked Waterford, a label associated with fine glassware. Waterford was mentioned by only 5.6% in the September 1985 study, and only 1.8% of the poll in April 1985.

During the past years, MarkeTrends finds, Libbey was the brand most purchased. Almost 40% selected that label. Anchor Hocking was purchased by 18.6%, a store brand 6.8%, Waterford 5.1%, Corning Lead Crystal 5.1%, Lenox 3.4% and Princess House 1.7%. It will be interesting to see if Waterford translates a strong share of mind into solid sales volume.

Discounters are still a logical outlet for the purchase of glassware, with a 30% market share. That is down, however, from 38.4% who picked a discounter in a similar study conducted in 1983.

February kicks off what should be a strong year for glassware. Last year sales continued an uphill climb from February through May before dropping in June. Currently, 6.4% of the households questioned plan to buy glassware in the next 12 months, up significantly from only 4.8% of those surveyed last year at this time. □

Big 3 dull in cutlery

Sears, J. C. Penney or Montgomery Ward often come to a consumer's mind as the outlet where they would be likely to buy cutlery. The image fades, however, when it actually comes to plunking down money, according to this month's *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends Research.

Just over 25% of the households surveyed plan to buy cutlery at The Big 3, but only 10.3% actually last purchased there. Discounters most often pick up the business, with 22.4% of those who recently bought purchasing at a discounter, vs. only 18.7% who had a discounter in mind.

This suggests the Big 3 are not giving customers the selection and price they desire in cutlery. Discounters are indeed moving toward better cutlery selections.

Discounters are smart in their moves to grab the business. *CSA* research suggests the cutlery category will take off in the next 12 months. Five per cent of the households surveyed are in the market for cutlery, the highest level of intent-to-buy recorded since *CSA* started tracking the classification last January. Cutlery is higher on shopping lists than steam irons, food processors and toaster ovens. □

Discounters are increasingly moving toward better cutlery.

No major shift in cutlery prices
How much would you expect to pay?

	April 1985	February 1986
$25 and under	29.0%	26.2%
$26-$50	27.1	28.2
$51-$124	10.6	13.6
$125 and up	4.8	5.8
Not answering	28.5	26.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Bathroom scale features differ

Bathroom scale manufacturers keep trying to hike the price of scales by adding innovations, but customers will not be willing to trade up.

That is the message sounded in this month's in-depth look into the $150 million bathroom scale market.

Almost 78% of those queried by *Chain Store Age*/Leo J. Shapiro & Associates indicate they expect to pay under $30 for a scale. Of those who recently bought, 80% did indeed pay less than $30.

Discount stores sell more scales

	Where would you buy a a scale?	Where did you last buy a scale?
Discount store	38.0%	31.6%
Big 3	28.3	17.5
Department store	8.7	14.9
Catalog showroom	15.2	13.2
Drug store	2.2	2.6
Product specialty store	3.3	2.6
Appliance store	2.2	1.8
Other	2.1	15.8

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Manufacturers admit to price sensitivity in the market. They say they have to drop prices of scales, even those with digital read-outs, to rock bottom prices in the $19 to $35 range.

Because shoppers look for price, discounters are a natural shopping spot. K mart commands a hefty portion of the business with 17.4% planning to buy a scale at a local K mart.

Sears is another primary shopping location with 22.8% of those indicating plans to purchase within the next 12 months expecting to buy at Sears. These figures may be somewhat disappointing, however, since only 14% who actually bought did so at Sears.

No brand holds a grip on the market. Counselor was the favorite with 24.2% of mention's followed by General Electric with 18.2%, Borg with 12.1% and Detecto with 6.1%. ☐

Good housewares items never die

What a difference a year makes. Just last February we were predicting a gloomy year for cookware, steam irons, food processors and certain specialty housewares gadgets like ice cream makers.

Our *Chain Store Age*/Leo J. Shapiro & Associates Marke-Trends Research underscored the lackluster outlook. Last February, only 4.6% of those surveyed indicated an interest in purchasing cookware in the next 12 months. A meager 2.4% were in the market for a food processor; 2.7% for a steam iron.

Early 1985 did prove to be devastating for those items. Cookware volume was tarnished by a raft of imports, food processor margins plummeted thanks to price wars and specialty items disappeared from shelves in favor of faster turning goods.

Just when all hope was gone, the industry rebounded. Anodized cookware hit the market. Sunbeam's Oskar debuted. Cordless and smart irons took command. And, a glamorous, yet simple to use ice cream maker called Donvier found a place on store shelves.

It was magic. The impact these items made on respective categories boosted overall interest. Plans to buy cookware are at a high of 8.5% of consumers surveyed in this month's Marke-Trends. Four per cent of households questioned are in the market for a steam iron, up from only 2.7% last year at this time.

What this says is that housewares manufacturers are resilient. When things look bleak, they work harder. They often look for a way to make products better . . . they create a reason to buy a new iron, even if the old one still works.

I can't think of many other industries capable of reviving sinking categories. When video games started faltering, toy manufacturers stood back and watched. Electronics vendors waved goodbye to eight track players and CB radios (although consumers are trying to bring them back).

The housewares industry won't let a category die. It is an industry fast to react and this strength helps products survive.

There are a few categories tracked by *CSA* in need of some ingenuity as we enter 1986. Microwave bakeware, for example, is showing some signs of fatigue—suggesting the category is overloaded with products not offering true value.

* * *

This month *CSA* takes a look at the new Underwriter Laboratories standards for blow dryers. The new guidelines will hike the cost of blow dryers as much as $10. Retailers owe it to their customers to explain why blow dryers will soon cost more, especially when merchants have been almost giving them away for years. Manufacturers should do their share, too. I recommend a campaign stressing the importance of the new safety immersion rules. How many customers actually look for UL listing now? But how many would if they realized it might mean a difference between a tested product vs. a potentiallly dangerous one?

Press campaigns touting "the Union [garment] label" or the Good Housekeeping Seal have earned my respect. Maybe it is time a UL listing was something I demanded.

When consumers perceive an advantage, especially a safety feature, they are willing to pay more, as witnessed by turn-off irons, says Paul Saxton of Sunbeam. After seeing blow dryers burn up in tests at UL I'm willing to pay a few more bucks to avert an accident.

—Faye Brookman

won't pay more than $29.99, tops, because of the discounters."

However, some others are still willing to fight for the business. Fortunoff's, for example, headed a catalog ad, "Chinese tablecloths, $27.99 all sizes." It featured two imported embroideries, regularly retailing for $60 to $90 at the low price.

In placemats, retailers expect the category to continue along the same path it's been traveling—one of a solid color story. The most success comes from keeping the merchandise in stock and treating it like a fashion, ready-to-wear classification by rotating colors every few months.

Department stores are further developing their pleated assortments with miter-cornered mats while discounters are continuing to shift emphasis from vinyls to fabrics. One East Coast mass merchant recently took his selection from a 50% vinyl/50% fabric mix to one that is 30% vinyl/70% fabric. He says, "Placemats are a sensational category. Fabrics are doing great!" His best price point is $1.29.

Quilted mats, however, are leveling off for all retailers, although they continue to be a strong part of the placemat business. While some department stores are expanding into miter-cornered, channel mats and others are promoting quilted sets, a few merchants have retreated from the classification altogether. One Northeast retailer says it is impossible to compete on price with the discounters and off-pricers in the area.

Still, overall, table linens remains a profitable department for most merchants, despite the increase in promotional activity within it. Margins have not deteriorated from their low to mid 40s position because the majority of retailers promote from within current assortments rather than bringing in items that may have to be marked down at a later date just to clear inventory.

Additionally, the category is not as promotional as other home textiles departments. Looking at the average, retailers say only 45% of the merchandise is sold at promotional prices.

Nonetheless, one retailer notes, "if you don't have something on ad every week, you don't do business." Retailers concede that advertisements do bring in traffic and stimulate the basic solid color business in both tablecloths and placemats. ☐

Intention to buy strong

Intention to buy during 1986 remains very strong in blankets and curtains and draperies.

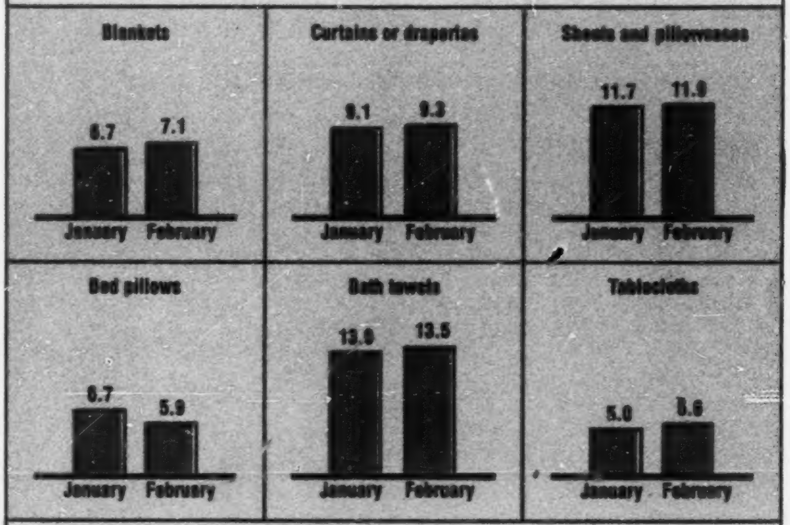
Blankets, for the second consecutive month, is the most likely category to exceed last year's sales. Higher natural fiber contents and an increased interest in throws perhaps are fanning the fire.

Curtains and draperies, too, should have a good year, according to the study. Industry sources concur with *CSA*/Shapiro figures, saying soft treatments are growing at a faster rate than the hard looks.

Bed pillows again have the weakest market for '86. This follows '85 trends where the category was off for the first six months. However, pillows are not planned purchases by consumers and this may be reflected in the numbers. Promotions (which always prompt sales in this category) brought back the volume last year and should be planned for during the next 12 months to keep the business steady.

Towels, sheets and tablecloths have moderately strong markets this year. Like pillows, these categories, too, are stimulated mostly by promotions. All three have prospective markets that are approximately half of their past ones. ☐

Consumer Buying Intentions*



Source: *Chain Store Age*/Leo Shapiro & Associates

*% of households that might buy

Blanket shoppers warm to discounters

Although customers may think quality is almost as important as price when it comes to choosing a store to shop for blankets, they quickly change their minds once they go shopping.

This month's *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends shows that 31.9% of those planning purchases say they would choose a store based on quality, but only 11.1% of the past consumers made quality their deciding factor. Low prices and convenient store locations played a bigger role in the final decision.

Approximately 22% of the past purchasers named convenient store location as the top priority in selecting an outlet compared with 6.4% of the future buyers who named convenient location. Price was cited by 50% of those who recently bought a blanket as the most important consideration, while 44.7% of the prospective shoppers said price was most important.

It is not surprising that the sur-

One retailer recently observed that a promising plush toy that will cost the store $18 probably won't be sold for more than $20 because of consumer resistance and growing price competition. A $2 margin would be bad, but if the price tag on a promising new license scares away customers, that would be worse. Similarly, Wuzzles is expected to sell for $15 to $18 in its second year and Care Bears still demands a $23 price point for the largest size.

Let them eat cake: Despite one retailer's grim pronouncement that "manufacturers don't give a damn about retailers' profits," William L. Garrity, chairman and ceo, Schaper toys, says the prospect of a growing number of toys becoming loss leaders in a retailer's mix "is a real concern among manufacturers because poor retail results must, inevitably affect manufacturers. He reports that the topic was discussed at a recent Toy Manufacturers of America meeting late last year.

Garrity urges retailers to "try like hell to give the appearance that they have the promotional stuff and damned good value. Position the toys that have good margins and use co-op advertising dollars to maintain gross margins."

Gary McCoy, national sales manager for Dakin's Fun Farm, says the potential for lost profitability in plush is "a major worry of all the buyers."

The company's newest entry, Kissy Poo, will be promoted on television, but Dakin is aware of the perils of overexposure. He says the company has put together a program that it hopes will produce margins of 35% to 40% for retailers. Citing its Garfield program as an example, McCoy points out that Garfield remains profitable because it is not a TV toy per se and therefore not subject to the cycle of overnight success and sudden decline. The company hopes for a similar pattern for Kissy Poo.

McCoy says an overproliferation of licenses, especially in formerly profitable plush will produce a negative reaction from retailers. He says that in such an event, "The toy industry would go back to basics and the importance of toy licensing would fade."

Isabel Miller, vp/licensing for Henson Associates, says "There is a plethora of plush and there is no uniqueness. That's what's missing. Licensors and manufacturers are parading them out."

She believes the abundance of licensed plush in 1986 will be good for the category in the short run, but is concerned that buyers who find it necessary to price promote the profitability out of plush will react to licensed properties by rejecting them all.

Miller says this overabundance will cause the pendulum to swing back in the other direction and relegate licensed toys to a minor part of the assortment rather than the 60% to 70% majority they now account for.

Do retailers think the pendulum will swing that far back, bringing a resurgence of generic plush at the expense of licensed goods? Most say it's too early to tell for sure and some think that better, more stable licensing programs might help avoid such a backlash. The keys, say retailers, are strong product development programs that produce attractive items with some play value; solid, diversified promotional support from vendors and toys which are priced in such a way that they represent good value to the consumer. ☐

—Michael Hartnett

Quiet Christmas for licensing

Despite a spate of new licenses—or perhaps because of them—Christmas' top properties turned out to be holdovers from the 1984 holiday selling season.

A *Chain Store Age* survey of buyers in four categories heavily influenced by licensing—toys, stationery, home textiles and children's wear—found Masters of the Universe, Transformers and Cabbage Patch easily the most popular licenses of the season. Among new licenses, only Voltron gathered significant support, although Wuzzles and Pound Puppies also received some mentions.

The generally soft season for licensing business left many buyers unsure which new properties would be among this year's winners. Asked to pick those licenses they expected to grow into top sellers, buyers mentioned Teddy Ruxpin, Popples, Rambo, Pound Puppies, Furskins and Gummi Bears. But no license received more than a few mentions and most buyers simply didn't bother hazarding a guess.

Toy buyers seemed most disappointed with the way the season's business turned out, and several blamed the proliferation of licenses for the poor business. One buyer for a Southeastern discount store chain described the year as "slow for new licenses." Another lamented the number of "licensed items in the over $25 cost/retail category." Such high prices for licensed goods may have been one reason why a department store toy buyer reported: "Basic toys are hot!"

Nearly every toy buyer who took part in the survey claimed that gross margins on licensed merchandise sold during the Christmas season averaged less than 25%. That led one buyer to comment: "There is more risk than opportunity in licensing."

Mickey Mouse was the most popular license among children's wear buyers, who seemed to favor classics like Looney Tunes, Snoopy and Disney characters. Those new licenses gaining some recognition from children's wear buyers included Hugga Bunch, Rainbow Brite and Masters of the Universe. Absent from their lists were many boy-oriented licenses such as GoBots, Transformers and G. I. Joe.

*Christmas' top licenses**

1. Masters of the Universe
2. Transformers
3. Cabbage Patch
4. G. I. Joe
5. Voltron

*Most promising new properties**

1. Teddy Ruxpin
2. Furskins
3. Popples
4. Pound Puppies
5. Rambo
6. Gummi Bears

* Source: *Chain Store Age* survey of toys, stationery, home textiles and children's wear buyers.

Profitability in licensed goods has become so difficult that additional sku's may not prove a worthwhile investment.

Profits still tough on characters

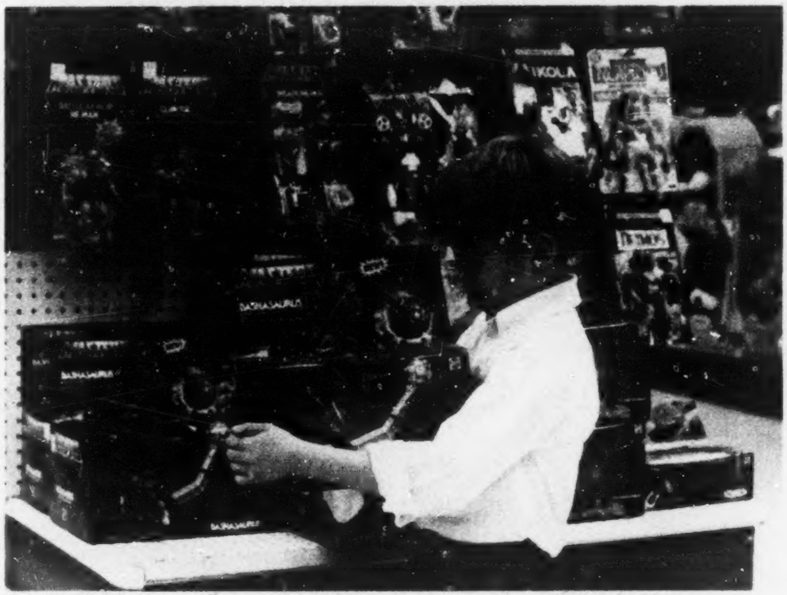
The business of selling character licensed products has become so competitive that some discount buyers who expect sales to continue growing nonetheless will not enlarge their offerings of licensed merchandise.

More than 72% of discount buyers responding to a recent survey say they believe character licensed product sales will surge ahead. Despite this vote of confidence, slightly more than 40% of the buyers do not plan to expand their commitment to the category.

The message from these buyers is clear: profitability in character licensed goods has become so difficult that additional sku's may not prove a worthwhile investment. Toy buyers in particular rate the profitability of most character licenses extremely low, but buyers in all categories surveyed, including home textiles, stationery and apparel, generally gave the most popular character licenses low marks on profits.

The survey was conducted last summer and so tends to be weighted more toward licenses which were already well established; however, the survey is most useful for the way it confirms certain broad trends which have emerged in licensing and indicates how buyers feel about the category as a whole.

Of the four types of buyers surveyed, those responsible for apparel were most bullish about sales; 80% of them expect sales to increase. Toy and home textiles buyers also felt good about sales; more than three-quarters of them expected volume to grow. Only in stationery did less than a majority of buyers say they did not expect increased sales of licensed products.



Overproliferation of licensed goods may mean profit and sku problems.

Home textiles buyers, on the other hand, were least enthusiastic about adding to their assortments. More than half said they did not intend to go to more sku's. Four of 10 stationery buyers also will not increase sku's, while 35.3% of toy buyers do not believe it likely they would increase sku's.

Behind those numbers, of course, is the increasingly promotional nature of the category. Almost 65% of the toy buyers say they stock licensed merchandise primarily to increase traffic, while another 35% say that both better traffic and gross margins are important to them.

And buyers feel that the category will only continue to be heavily promotional. Nearly 60% say their chain planned to increase its promoting of licensed goods in their category. Toy buyers feel strongest about this. More than three-quarters expect more promoting. But only half of domestics and apparel buyers think it at all likely their chain will increase promotional efforts in licensed goods.

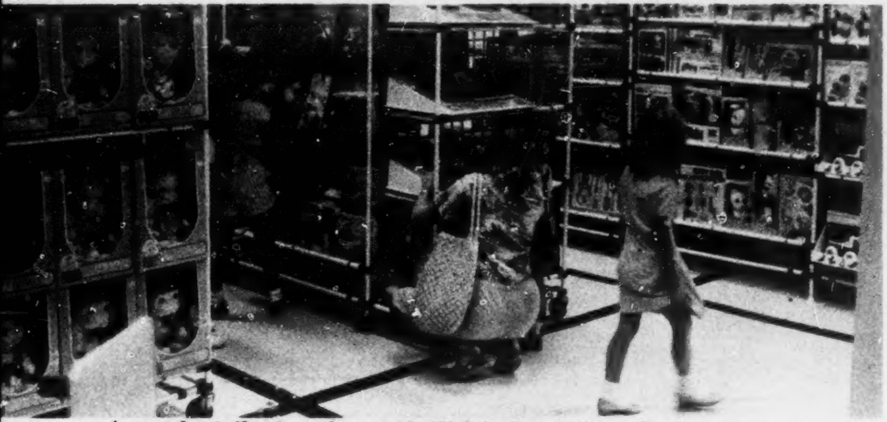
Additional promoting promises to shrink margins which are, in some cases, already relatively low. Almost 65% of toy buyers say they got less than 25% margins on licensed merchandise. Apparel buyers report the best margins: 7 of 10 say margins fall within the 35% to 45% range. More than 40% of home textiles buyers also report margins in that range.

The survey, which also measured vendor programs, found a broad base of discontent among buyers about co-op advertising and pockets of dissatisfaction with vendor deliveries of licensed goods. But most

Discount buyers rate licenses on . . .

	Sales	Profits	Consumer Advertising	Delivery	Co-op Advertising
Toys	1.96	1.65	1.99	1.85	1.74
Apparel	2.06	2.04	2.32	2.33	1.62
Home Textiles	2.16	2.13	2.07	2.31	1.40
Stationery	1.91	2.08	2.36	2.36	1.79

*Ratings based on a scale of "1" to "3" with "1" signifying "poor" performance and "3" signifying "excellent" performance.
Source: *Chain Store Age* research

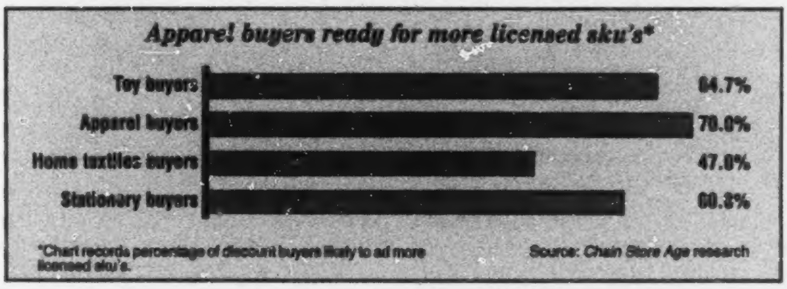


Apparel retailers are the most bullish in forecasting sales increases.

Buyers say apparel yields best character license margins

Gross Margin	Less than 25%	25%-35%	35%-45%	More than 45%
Toys	64.7%	29.4%	—	5.9%
Apparel	—	30.0	70.0	—
Home Textiles	11.8	47.1	41.1	—
Stationery	20.0	—	50.0	30.0

Source: *Chain Store Age Research*



Apparel buyers ready for more licensed sku's*

*Chart records percentage of discount buyers likely to ad more licensed sku's.

Source: *Chain Store Age research*

buyers also gave licensed products vendors good marks for their consumer marketing programs.

Asked to rate co-op advertising on a scale of "1" to "3," with "1" being poor and "3" being excellent, toy buyers gave 27 licenses an average rating of just 1.74. Only four of the 27 licenses, in fact, received above a 2.0 rating on co-op advertising. The highest rated: Barbie, GoBots, Transformers, Masters of the Universe. The lowest: Fraggle Rock and Star Wars.

Home textiles buyers are even less impressed with co-op and programs. The average rating these buyers give licensed product vendors—1.40. Only one product, Care Bears, achieved better than a 2.0 rating. Of those licenses carried by more than 10 chains, Cabbage Patch scored the lowest on co-op programs in home textiles—1.1.

Apparel buyers are slightly more positive about co-op programs. Their average rating for vendors—1.62. Again, however, just one license scored better than 2.0. That was Snoopy, rated 2.3 by apparel buyers. Nine buyers, voting on Cabbage Patch, rated co-op programs a 1.3, the lowest mark achieved by any of the major licenses in the apparel category.

Widespread shortages of top toy licensed products no doubt prompted many toy buyers to give vendors poor marks on delivery. But buyers in other categories were generally pleased about vendor delivery.

The average rating for delivery of toy products was 1.87. Seven of 27 licenses scored above 2.0: Rainbow Brite, Pink Panther, Barbie, Garfield, Disney, Muppets, Sesame Street. The lowest rated licenses, by toy buyers: Hugga Bunch, Cabbage Patch, Sectaurs.

Stationery buyers rated licensed goods vendors highest on delivery of product. The average rating in this category was 2.37.

Rating consumer advertising by vendors, toy buyers were again the harshest critics (in 5 of 7 categories, in fact, toy buyers gave vendors the lowest marks of the four groups of buyers surveyed). The average ranking of consumer advertising programs, as recorded by toy buyers, was a 1.99. Masters of the Universe and Barbie got the best marks for their consumer advertising programs, 2.8. The lowest ratings went to Pink Panther (1.3), Robotman (1.3) and Fraggle Rock (1.3).

Stationery buyers were most pleased with consumer advertising. Their average rating of vendor efforts was a 2.37. The best-rated licenses: Care Bears, Cabbage Patch and Masters of the Universe, which all received a rating of 2.6.

The two most crucial areas, sales and profits, garnered the most diverse ratings. Toy buyers, not surprisingly, gave the lowest rating among the four groups of buyers to the profitability of licensed goods. Stationery buyers were most discontent with sales of licensed goods. Home textiles buyers, on the other hand, were most pleased by both the profits and sales of licensed products.

The average profitability rating of toy licensed merchandise was just 1.65, well below the "acceptable" level. Only 2 of 27 licenses scored better than a 2.0, Sesame Street (2.3) and Garfield (2.3). Most licenses scoring the lowest on profitability were properties whose sales were also on the wane—Star Wars, Get Along Gang, Rose Petal Place. But two new licenses which received strong marks for their sales performance received low profitability ratings, Sectaurs (1.3) and Hugga Bunch (1.3).

Apparel and home textiles buyers were pleased with profits. Apparel buyers rated Transformers (2.8), and Masters (2.8) nearly perfect. Home textiles buyers were bullish on the profitability of Care Bears (2.3), Masters (2.3), Transformers (2.3). These licenses were carried by the majority of buyers responding, while some properties carried by just a few buyers also scored well: Strawberry Shortcake (2.2), Disney (2.4) and Barbie (2.7)

On the sales scoreboard, Masters and Cabbage Patch, both carried by the vast majority of chains, received perfect 3.0 scores. Transformers racked up a 2.8. ☐

Big vendors shift to earlier showings

Toy Fair continues to be more important than pre-shows, say toy retailers.

Greater emphasis on year-round sales makes preshow activity crucial.

With toy manufacturers and retailers pushing for stronger retail sales outside the crucial fourth quarter, top manufacturers are trying to add four months to the selling and shipping schedule by offering previews of new products to key retailers in October and November, rather than waiting for the February Toy Fair.

As the fourth quarter pipeline nears maximum capacity for toy shipments and retail sales, both sectors of the industry have been forced to seek sales growth outside that final 90-day period. In recent years, Mattel in particular has invited top retailers like Toys "R" Us, Sears, K mart, Woolworth and Montgomery Ward to the sunny climate of Arizona and California to preview new products and line extensions for the coming year.

Pre-Toy Fair presentations are not new to the industry, but as the major players become even more important through sales growth and the acquisition of smaller companies, these early product showings by Mattel, Hasbro, Kenner, Tonka and others are making an impact on the market. The shows give major vendors an earlier read on the potential of their new lines. As one industry insider observed, 60% to 70% of their total annual sales have already been locked up before they arrive in New York for Toy Fair.

Retailers are reluctant to admit that the earlier showings produce assortments that have a greater dominance by the key manufacturers, but smaller- and medium-sized competitors are feeling the heat and they are stretching their budgets to mount presentations of their own. The alternative would be to wait for Toy Fair, when their most important retail customers may have already shaped their programs and would come to Toy Fair looking for a few sku's to round out their mixes.

With increased emphasis on year-round sales, many manufacturers and retailers say, "Toy Fair in February is ridiculous." The retailers say it will always be useful for them to make their rounds of the showrooms in February, but it is too far into the new fiscal year to delay all the important commitments.

Douglas Thomson, president of the Toy Manufacturers of America, is a supporter of preshow presentations but doesn't believe they point to a need to change the Toy Fair schedule. He says there is not yet enough reason to make the change but says, "We will have to watch it."

Thomson says that regardless of the timing of pre-Toy Fair shows, the major manufacturers will still want to come to New York in February to show their entire lines and discuss details of their programs. He also points out that if everybody were invited to pre-Toy Fair presentations, the buyers wouldn't have the time to attend all the separate presentations.

The fact that the biggest, most successful manufacturers are gearing their preshows to the largest retailers begs the question of whether smaller manufacturers and retailers will be left to try and meet each other's needs for sales and product. Thomson says that is not the case because distributors who serve smaller retailers are invited to preshows. As for smaller manufacturers, he singles out Worlds of Wonder as an example of a small company that introduced a new product, Teddy Ruxpin, without benefit of preshows or Toy Fair and scored a hit.

"If you have a hot product you are going to sell it, regardless of the prefair shows," says Thomson.

Down in the trenches: Retailers give the shows mixed reviews. They relish the opportunity to look over potentially important new lines months in advance, but many resent pressures from manufacturers to make firm buying decisions in October and November.

Rick Hans, Sanger Harris' toy buyer, went to his first pre-Toy Fair presentation in October at the invitation of Mattel. His reaction? "Seeing new categories was helpful. Mattel has such an extensive line, and it was all new product."

Not as helpful was being pressed

Manufacturers back up year-round sales goals with more advertising dollars

	1985	1984	1983	1982
First quarter:	$11,947.9[1]	$11,290.2 (8.5%)[2]	$ 7,582.1 (7.5%)	$ 5,796.8 (6.5%)
Second quarter:	23,116.9	19,240.0 (14.5%)	13,408.2 (14.5%)	8,381.8 (9.4%)
Third quarter:	15,555.7	[illegible] (15.4%)	8,217.3 (8.9%)	9,149.8 (10.2%)
Annual total:	—	133,033.6	92,583.6	89,353.1

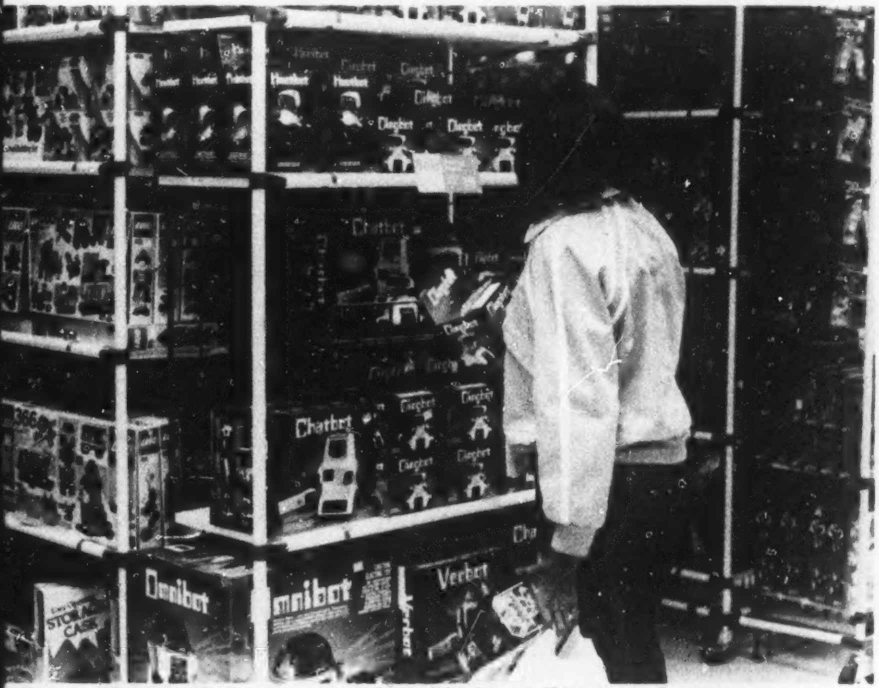
[1] In millions of dollars

[2] % of annual spending for the quarter

Source: Broadcast Advertiser Reports

to commit to line extensions on products that were not fully tested in the marketplace until the fourth quarter. Wheeled Warriors, for example, were new in 1985 and he didn't want to commit to more of the line until he had seen sales results for more of the fourth quarter.

Hans is confident that buyers will not tie up too many dollars in early commitments because it wouldn't allow them to make adjustments as it became necessary. As for moving Toy Fair up by two to four weeks, he says it wouldn't work because too many buyers are putting the finishing touches on last year's program. Also, there are a lot of buyers traveling to Hong Kong and the Nuremberg Toy Fair in January and early February.



Top manufacturers such as Mattel invite retailers to preview new toys.

Tom Castle, toy buyer for The Broadway stores, likes attending the early shows. "It is healthy for me. It would be very difficult without them." Seeing major lines prior to Toy Fair gives him more time to plan the major part of his assortment. He goes to Toy Fair with the latitude to commit to some of the lines he has already seen and has more time to look over other, smaller lines that are important to his mix.

Seeing strong additions to an already strong line at a preshow may indeed cause a retailer to commit to Mattel, Hasbro, Tonka or Kenner products—to the detriment of other manufacturers. But the reverse is also true. If retailers are unhappy with new products and line extensions that they see in October and November, they have plenty of time to make the necessary changes in their assortment.

Another retailer who attends multiple showings each year says they are an advantage to him because they allow his chain to make earlier buying decisions, which allows better budgeting and more time to plan promotions. Unlike his colleagues, he doesn't favor rescheduling Toy Fair earlier in the year. He says Toy Fair will continue to be more important than preshows because it is the main arena for presenting finished products, rather than just mock up samples. And, he points out, many new products are purposely held back for introduction at Toy Fair.

One reason for holding back some products for Toy Fair may be what one manufacturer described as "an industry concern for the security of properties." Knockoffs!

Adjusting to change: Small- and medium-sized manufacturers feel they have no alternative but to respond to preshows by the majors with presentations of their own. Depending on their resources, they may extend hours at their showrooms during the year, they may put together their own presentation and take it on the road to rented suites in the major cities, or try to match Mattel and Hasbro with less lavish preshows for their key customers.

At Schaper, chairman and ceo William L. Garrity says the current preshows by the largest manufacturers "work to our disadvantage." Smaller companies like Schaper don't have the resources to set up parties and lavish presentations in California, Arizona and Boston. "It is a competitive advantage that allows them to get to buyers two, three, or four months earlier."

Schaper does bring in a few selected accounts to its headquarters in Minnesota for presentations on new products and company support. The company also has traveling presentations that it brings to California, Chicago and Dallas.

Matchbox began toy presentations of its own in the fall of 1985. Marketing director Bob Bernhard says the fall showings became necessary because the company's product lines have expanded beyond the cars for which it was best known and also in response to clients who need more time to plan their programs and promotions and schedule deliveries.

Bernhard says Matchbox would have scheduled its own shows even without the competitive nudge from larger companies because of the added importance retailers place on getting an earlier start. He also points out that "The line must be of a stature that makes it worth the retailers' trouble to attend."

Dakin doesn't have the resources to conduct pre-Toy Fair presentations, but the company has no choice but to respond with its own program to be on an even footing with competitors. Gary McCoy, national sales manager for Dakin's Fun Farm, says the company feels the pressure to go in that direction.

If there is a plus to the preshows for the smaller companies it is that toy buyers need a couple of days to see all the new product unveiled by major manufacturers. McCoy says if that process is largely accomplished before Toy Fair, buyers will have more time to seek the smaller lines.

The trick will be to entice buyers who still have money to spend. ☐

Shoppers rate toy specialty stores tops

Price is key in the customer's selection of where to shop for toys, so retailers promote a value image.

Nearly 8 out of 10 shoppers say toy prices are too high, according to a consumer survey by *Chain Store Age/Better Homes & Gardens*, and a clear majority of those surveyed say low everyday prices are the most important factor to them in choosing where they will shop.

An overwhelming majority of shoppers surveyed say they shop for toys at more than one store, and with almost two-thirds saying they shop for toys just once or twice a year—basically birthdays and Christmas—toy retailers have no choice but to reinforce the value image of their stores. The survey suggests the best way to do that is through selective promotions and by striving to present a broad product assortment that meets the needs of a customer base that comes in and out of the market during the course of a year.

Over the past two years, shoppers have consistently said they expect to spend between $5 and $14.99 for toys. There continues to be strong support, 18.3% of those surveyed, for spending up to $19.99, but consumer interest dwindles rapidly once the average price goes beyond that price point (see chart). Results from the 1984 survey show the same pattern.

The successes of $34.97 Cabbage Patch Kids and the $69.99 Teddy Ruxpins clearly illustrate that consumers are willing to spend more than $19.99 for a toy, but the results of the survey indicate there is built-in resistance to higher price points. Higher-priced toys that have special appeal will always do well, while other toys that offer good value at higher price points will whither from neglect unless they can offer something unique.

Action figures well-priced: The strong preference for lower price points in toys is almost certainly being reinforced by the pricing levels on action figures and robotics. At $4.99 to $7.99, it is less costly for parents to buy their children a "hot toy" when it is a single action figure.

A surprisingly large percentage of those surveyed, 39.2%, say they spend less than $50 a year on toys. The under-$50 category represents the majority point of view across all consumer groups, regardless of whether they are single or married, young or middle-aged, with or without children, or earning $50,000 or $100,000 annually.

Fortunately for retailers, the number of consumers willing to spend from $50 up to a maximum of $249.99 is still the majority, 46%. About 7% of those surveyed say they will spend between $250 and $500 a year on toys.

The majority of customers shop more than one store for toys.

Of 15 possible survey responses to indicate the importance of various store services and characteristics, the one rated dead last was the importance of carrying a merchandise mix not limited to toys. The responses suggest that many shoppers do not wish to combine toy shopping with their other errands.

Store atmosphere and sales assistance also hovered around the bottom of the "least important" list. The survey results suggest that the continuing sensitivity to toy prices is apparently pushing shoppers to value cash savings over a pleasant shopping atmosphere. However, not mentioned in the survey is that many shoppers probably are able to take store cleanliness and orderliness for granted and, therefore, give it little or no value.

Sales assistance is probably losing some of its importance because retailers and manufacturers have trained consumers to know what they want before they come into the store. With so many hot items being presold through promotions, shoppers have learned to rely less on salesclerks.

Choice of store: When a consumer wants to buy a toy, the first store he visits will be the one perceived to have the lowest everyday prices. And, almost as important, the store will have a wide selection and quality products.

Discount stores lose ground to specialists*

Type of store	1984	1985
Discounter	56.4%	44.7%
Department store	12.5	16.1
Toy specialist	41.2	46.7
Sears/Penney/Ward	18.1	15.6
Variety store	7.3	9.7
Drug store	2.8	5.9
Other	11.6	8.9
Don't know	1.2	4.2

**Store of first choice. Totals exceed 100% because of multiple mentions*

Source: *Chain Store Age/Better Homes & Gardens*

Consumers set limits for toy expenditures

Plan to spend for a toy	
$0-$4.99	5.8%
$5-$9.99	28.1%
$10-$14.99	29.9%
$15-$19.99	18.3%
$20-$24.99	7.4%
$25-$29.99	2.3%
$30-$34.99	0.5%
$35-$45 or more	0%
Don't know/ no answer	7.7%

Annual toy outlay	
$0-$49.99	39.2%
$50-$99.99	19.0%
$100-$149	13.0%
$150-$199	7.2%
$200-$249.99	7.2%
$250-$299.99	1.4%
$300-$349.99	3.1%
$350-$400 and more	3.4%
Don't know/ no answer	6.5%

Source: *Chain Store Age/Better Homes & Gardens* research

Shoppers rate low prices and selection very important*

Reason shop store	1985	1984	1983
Low everyday prices	68.6	73.1	72.9
Wide selection	65.7	69.1	68.7
Carries quality products	64.6	74.5	70.8
Easy return policy	56.1	67.8	61.6
Advertised specials/sales	56.5	65.4	57.1
Always in stock	51.0	64.1	51.8
Past experience	49.9	53.7	46.9
Store guarantees/ repair service	49.0	54.8	54.6
Convenient location	39.7	48.9	39.8
Fast checkout	37.4	45.2	37.5
Frequent sales	24.3	42.1	36.2
Carries unique toys	30.2	34.0	34.6
Sales assistance	29.2	[illegible]	29.5
Store atmosphere	21.1	21.8	16.4
Carries more than just toys	19.7	22.3	18.1
Other	0.9	1.9	1.3

Totals exceed 100% because of multiple responses

*% of shoppers who rate these qualities very important

Source: *Chain Store Age/Better Homes & Gardens*

Measuring consumer priorities in selecting the toy store where they will shop shows some shifts. In 1983, a similar survey showed that low everyday prices were very important, but they played second fiddle to product quality. The most important factor in deciding where to shop was toy selection. The same pattern was repeated in 1984, as consumers said they chose their toy store on the basis of toy selection, low everyday prices and quality products.

The 1985 survey shows that when consumers tally up the advantages of various kinds of stores, the majority, 46%, will shop in a toy specialty store first, quite a change from the previous sample in which the majority, 58.4%, said discount stores were their first choice. The most recent survey shows the big gainers to be department stores, variety stores and drug stores. Besides discounters, Sears, Penney and Ward also slipped by about 2.5 percentage points in the survey.

The primary shopping groups for toy specialty stores are the 18-34 age group. They tend to be married, with an income from $35,000 to $50,000, and have four or more family members in the household.

The age group in the survey most loyal to discount stores is from age 35 to 54, with an annual income in excess of $50,000. Most often, these toys shoppers will come from a household that has four or more people in it, including children.

Toy shoppers who prefer department stores tend to be the same young group that is attracted to specialty stores, the 18 to 34 crowd, though not in the same numbers. Their income tends to be in the $25,000 to $35,000 range, and they come from smaller households of two or three people.

Sears, Penney and Montgomery Ward toy shoppers have a similar demographic profile as the department store group. The Big 3 tend to attract the 18- to 34-year-old age group most often. And their income level is most often between $25,000 and $35,000. However, unlike the department store toy shopper, they come from larger households of four or more people. ☐

Sales of licensed goods top $50 billion

Products bearing the likeness of a cartoon character, designer label or the logo of a football team continue to generate billions of dollars in revenue, $50.1 billion in 1985, according to *The Licensing Letter.*

During the past 12 months, licensed properties continued to proliferate, turning in another year of solid sales growth for products that use something extra to attract the attention of shoppers. The $50.1 billion in sales of licensed goods represents a 25.1% increase over 1984 results of $40.1 billion in sales.

Trademarks and brand names continue to be the most popular type of licensed property, with 28% of total sales that translate into $14 billion. Cartoon characters are a strong second, with 24% of total sales, $12 billion. Sporting licenses helped sell 11% of licensed merchandise valued at $5.51 billion. Computer games accounted for just 2.5% of sales.

Feature films, designers, celebrities and art licenses each account for 7% of the total sales, with a combined total of $10.5 billion.

The five product categories that benefited most from licensing programs are: apparel/accessories, with 36% of total sales valued at $18 billion; toys and games, with 17% and $8.5 billion in sales; publishing/stationery, 12%, and $6 billion in sales; gifts and novelties, 9%, and $4 billion; and home furnishings/housewares, 8% and $4 billion in sales.

Despite an overemphasis on licensing in some categories, as well as a general lack of retail profitability, especially in toys, Arnold Bolka, publisher of *The Licensing Letter,* believes retail sales of licensed products will continue to climb throughout the rest of the decade and reach between $80 billion and $100 billion in annual sales by 1990.

merchants like being caught with an uncompetitive price on such high-profile goods. What results is the equivalent of perpetual price war.

"Since they [the retailers] use these products to promote," says an analyst, "they bring it on themselves. If they didn't do it with film, it would be something else."

Retailers admit their industry is at the heart of the problem, but that does not ease the frustration or point to a solution. "I'm not blaming Kodak," says Millner of Duckwall-ALCO. "It's not their fault people are always kicking them down. They can't force margins on anybody."

Mike Sullivan, a Kodak spokesman, describes the company's dilemma on retail markups the same way. "We give them every tool we can to help them make a profit," he says.

Kodak provides co-op advertising and bankrolls national ad campaigns. Promotional vehicles are available and include the familiar store displays. An incentive profit plan has provided checks during each of the last few years to qualifying dealers, but some buyers say retailers factor those rebates into their pricing policies.

"We cannot force them to sell at list price," says Sullivan. Yet, his company undoubtedly benefits from the higher volume generated by so much promotion.

Kodak remains the photographic giant with as much as 25% of the industry's U.S. business. The company still has its way with film sales, clinging to 80% or 85% of that market, despite inroads by Fuji and others. Moderate pressure will continue from competitors, but analysts expect Kodak to dominate.

And with Kodak's photographic division accounting for 80% of the company's $10.6 billion sales in 1984, corporate interest remains strong and research continues. Last year's reorganization—which split the photo division into 17 groups—may result in a more streamlined, decentralized operation.

Kodak has refused to confirm plans for a 35mm autofocus, but some expect the introduction at a photographic trade show, possibly this month.

Last year, Kodak reportedly agreed to a contract calling for Chinon, an Asia-based supplier, to build the new camera. Kodak also bought a 9.5% interest in Chinon, according to reports published last year.

Chinon has manufactured equipment for Kodak for 20 years. Some observers have speculated that Kodak may make some components domestically for the new camera.

Wherever the 35mm autofocus is manufactured—if it is manufactured—the camera will receive a lukewarm reception from many retailers. Low margins plague the autofocus category and some retailers have sought lesser-known models that could bear a higher markup.

Even as merchants struggle with their camera departments, they can at least be assured of change.

"The photo business is blurring, with the consumer electronics business," says an analyst. "We will see them coming together in the stores, too. I think it will be interesting."

"That," says one buyer, "is the photo business." ☐

Shoppers zoom in on SLR lenses

Technological refinements could boost lense sales, as new cameras bring increased interest in photography.

Pent-up demand and product innovation are expected to combine for a round of increased sales in interchangeable 35mm lenses. While sales go up, general merchandisers will face the challenge of maintaining reasonable margins. Their solution: more private label.

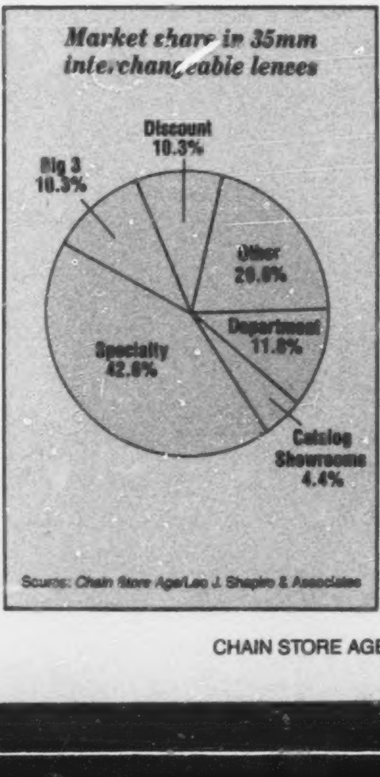
Lens sales have foundered for a year and a half. But advanced new cameras could halt that trend by generating increased interest in picture taking. Minolta, for example, now sells an average of two lenses with each Maxxum.

Refinements in the lenses themselves could also boost sales. Anna Masur, a marketing representative for Vivitar, says she expects customers to start switching to wider-ranged zoom lenses.

Right now, Vivitar's most popular zoom is a 70mm to 210mm, about the same range that sells best for most brands. "The reason it's biggest is that it's the oldest of our lenses," says Masur. "People know about it and come in looking for it."

Newer lenses may change the dominance of that range, says Masur. She predicts a move to lenses of 35mm to 200mm or even to lenses of 28mm to 200mm. Such lenses would allow customers virtually any focal length they would normally use without ever having to change lenses.

Masur notes that zooms are not as


Market share in 35mm interchangeable lenses

Source: Chain Store Age/Leo J. Shapiro & Associates

Refinements in the lenses *could also boost sales.*

sharp as fixed focus lenses but says even the lenses with increased range now provide pictures clear enough to satisfy the amateur market targeted by Vivitar.

Technology aside, sales of interchangeable lenses are expected to pick up because consumers have been postponing purchases. *Chain Store Age*/Leo J. Shapiro & Associates research indicates that the number of people planning to buy an interchangeable lens in the coming 12 months equals the number who bought one in the previous year. Intention to buy is usually only half of actual purchases, so the numbers indicate an increase in sales is due.

Rising sales of lenses would be particularly good news for chain stores because the category is one of the most profitable in the generally hard-pressed photo business.

Private label is the reason for the healthy markup in lenses. Industry insiders say house brand lenses often bear margins of more than 30%, compared to less than 15% for lenses manufactured by the big name camera companies.

In some cases, the private label margins could go even higher. Average wholesale for lenses is $43.22, says Ted Fox, director of marketing for the Photo Marketing Association. But shoppers responding to *CSA* surveys say they spend an average of $113 on a lense. Of those purchasers, 28.5% say they paid less than $100.

Many chains merchandise lenses with no brand name at all. Montgomery Ward, for example, sells house brand lenses with such designations as "Canon Mount" or "Minolta Mount" to suggest the cameras the lenses will fit.

Pressure could come to bear upon the private label lens business, however. Nikon is hinting about entering the lower-priced lens market. About 14% of those who say they plan to buy a lens this year mention Nikon as their brand of choice. Only 10% start out looking for a private label lens.

But once they begin shopping, many consumers quickly switch their preference to private label when they see the big price differences. Research indicates people base their decision on where to buy a lens on price more than any other reason. In fact, 36.7% of those responding to a survey say price or discount is most important in their decision on where to buy. ☐

SLR sales could be bright

Will features such as programmability and autofocusing allow 35mm single lens-reflex cameras to pick up some of the market share lost in recent years to lens-shutter cameras?

The question is crucial to many camera retailers because the popularity of the autofocus has proved a boon mainly to low-end dealers who thrive on inexpensive, low-margin cameras. Higher-end retailers are still largely seeking a resurgence of sales of the SLR, and all of the accessories which go with it, as a means of building some profitability back into the category.

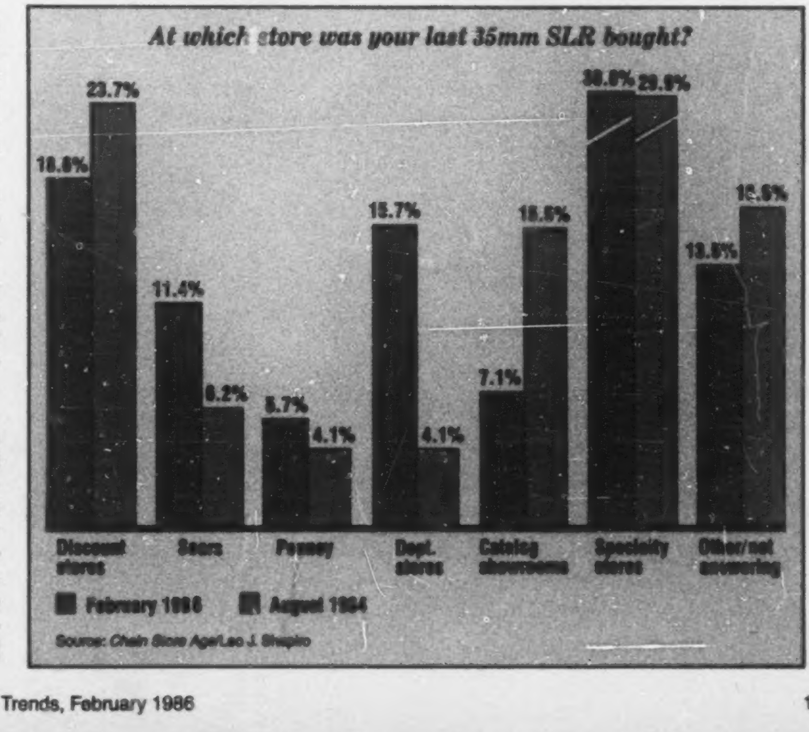
This month's *Chain Store Age* Photo/Camera MarkeTrends illustrates just how much potential SLRs have—potential which often is not translated into sales because of the way customers trade down to lens-shutter cameras once they get into a store.

When asked what type of camera they might buy in the next 12 months, 27.9% of those polled say they will be in the market for an SLR. Another 23.6% will look for an autofocus, while 11.4% say they will buy a disc and 16.4% name an instant as their camera of choice.

In actuality, autofocus cameras outsell SLRs by a slight margin and will probably continue to do so. But the SLR still has a greater share of the consumer's mind. And how much SLRs are able to close the gap between share of mind and market share probably depends on how good a job both vendors and retailers do selling such important features as programmability and autofocusing.

Even with such features adding value to higher-end cameras, the struggle to build profits back into the classification will undoubtedly continue, as the survey illustrates. In a similar survey done in 1984, about 30% of those who had recently bought an SLR said their main reasons for choosing an outlet were the prices and discounts it offered. But in the current study, more than 40% say that a store's prices and discounts are most important in deciding where to buy a camera.

Which store attributes suffer at the expense of price and discounts? Fewer people in the most current survey say they were influenced by such things as a store's selection or past satisfaction in dealing with that outlet. But one attribute whose rating did not change among consumers was the image of quality a store projected. About 11% in both studies said that quality was the most



Source: Chain Store Age/Leo J. Shapiro

important element in selecting a store to shop for a camera.

The enormous number of new product introductions is clearly reshaping the market, creating turbulence both at the retailer and vendor level. In the 1984 study, nearly half of those who said they intended to buy a camera mentioned Canon as their brand of choice. In this study, slightly less than 40% mentioned Canon, while about 15% mentioned Minolta and 15% mentioned Nikon.

The study suggests some slippage in market share for both discounters and catalog showrooms. In 1984, 24% of consumers mentioned a discount store as the place where they had purchased an SLR. In the most recent study, discounter share slipped to 18.6%.

More significant, perhaps, is the erosion of share of catalog showrooms, whose number of mentions slipped to 7.1% of everyone who recently bought an SLR, from 15.5% in 1984.

One segment of the business gaining share, according to the study, are full-line department stores. This is likely the result of the successful introduction of more advanced cameras, like programmable SLRs and the Minolta Maxxum, which carry a price tag suitable for department store camera departments. Department stores were mentioned by 15% of those surveyed as the place they bought an SLR.

Holding steady in the market share battle were specialty stores. In the two surveys 30% of those who recently bought an SLR did so at a product specialty store.

As with most photo products, consumer price expectations proved to be higher than the actual price those who have bought an SLR paid. The median price those who intend to purchase a 35mm camera say they will pay for it is $200. Those who actually bought in the past year paid a median of $180.

Among those who have already bought a 35mm SLR, the greatest percentage of purchases occurred in the $150 to $299 range. About 35% paid between $150 and $299, while 7.5% paid from $300 to $399.

But among those who intend to buy a camera in the next year, the largest percentage falls in the $200 to $399 range. Some 30% say they will pay between $200 and $299, while another 22% expect to pay $300 to $399. ☐

Disc shoppers: hard to get by

Conventional wisdom has it that the disc camera came upon hard times because of poor picture quality and competition from compact 35mm cameras. While that may be true, *Chain Store Age* Photo/Camera MarkeTrends reveals that the demographic profile of the typical disc camera user may have as much as anything to do with tough sales in the category.

The typical disc buyer, according to the survey, has a much more pessimistic financial outlook than camera buyers in general. Nearly half of all disc buyers, in fact, do not believe they will be any better off this year than last, compared with about 70% of all camera buyers who feel they will be in better financial shape this year.

Many disc buyers believe it will be harder to get by financially this year because they do not expect their family income to keep pace with even modest inflation. Only 45%, in fact, expect earnings to rise faster than prices, compared with 60% of all camera buyers who believe their family income will increase at a greater rate than prices.

The typical disc buyer, according to the survey, earns $27,000 a year, compared with the $30,000 a year earned by the average camera buyer and the $31,500 a year earned by the SLR camera buyer. More than 7% of disc buyers are unemployed, compared with just 2.1% of SLR buyers. Only 8% of disc purchasers are college graduates, compared with 24% of all camera buyers.

One enormous problem the disc has had: capturing the younger consumer, who now tends to buy a brand name autofocus camera. About 10% of all disc buyers are under 30, compared with 35% of all camera buyers and 58% of SLR buyers.

Considering those kinds of demographics, it is not too surprising that the typical disc camera buyer finds such things as a store's location and past satisfaction in dealing with a retailer as important elements when deciding where to shop. Surveys consistently show that older female shoppers in low to lower-middle income brackets tend to shop closer to home and are generally more loyal to stores than younger, more affluent consumers.

Nearly 14% of those who have bought a disc say that a store's location is the principal reason why they shopped there for the camera. That compares with just 9.2% of all camera buyers who select location as the primary component in buying.

Nearly as important to the disc shopper is past satisfaction dealing with a store. Some 14% say that good experiences with a store motivated them to return there to buy a disc, compared with only 2.5% of SLR purchasers who say that previous satisfaction sent them back to an outlet.

Less than 39% of those who bought a disc said that price was the main reason they chose an outlet to buy the camera, compared with 45% of all camera buyers who named price as the main component of the buying decision.

The most common outlets for the disc camera continue to be both drug stores and discounters. These outlets evenly divide up about 40% of the disc business. Within the discount group, the *CSA* study shows K mart does about half of the business. ☐

Why camera buyers choose a store

	Cameras (net)	35mm SLR	Disc
[redacted]	[redacted]	[redacted]	[redacted]
Selection	3.7	5.0	4.5
[redacted]	[redacted]	[redacted]	[redacted]
Satisfaction/past experience	4.0	2.4	11.4
[redacted]	[redacted]	[redacted]	[redacted]
Other not answering	30.7	28.8	9.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Recent CSA survey shows that Back-to-School category is thinning out as parents spend less. Apparel is emerging as the strongest category.

BTS: Even affluent spending less

Parents spend less on BTS

BTS $$$	All respondents		$25,000-$34,999*		$35,000-$50,000*		More than $50,000*	
	1984	1985	1984	1985	1984	1985	1984	1985
Under $100	16.9%	19.8%	13.8%	15.8%	9.3%	14.5%	4.0%	9.8%
$100-$199	24.8	32.0	20.3	31.6	17.6	34.0	14.0	31.3
$200-$299	22.9	16.8	24.2	15.9	25.0	14.4	32.0	21.6
$300-$399	14.0	14.6	17.0	17.3	18.5	19.6	16.0	13.7
$400-$499	6.5	7.0	8.5	8.7	9.3	8.3	12.0	9.8
$500-$599	3.5	2.9	3.3	2.9	4.6	3.1	2.0	5.9
$600-$699	1.8	1.2	2.0	1.4	1.9	1.0	2.0	2.0
$700-$999	3.0	2.3	3.9	2.9	4.7	3.1	4.0	3.9
$1,000 or more	6.0	0.6	7.2	0.7	9.3	1.0	18.0	2.0
Don't know/ no answer	0.0	2.9	0.0	2.9	0.0	1.0	0.0	0.0

*Yearly household income
Source: *Chain Store Age/Better Homes & Gardens*

Parents want little more than the basics in back-to-school merchandise. Year after year, they divide their BTS budgets the same way, devoting the same percentage of spending to apparel, shoes, stationery and other categories. No catchy fashion trend has come along to upset the spending patterns.

Surveys by *Chain Store Age* and *Better Homes & Gardens* magazines reflect the striking consistency that underscores the search for practicality.

No influx of volume appears likely to change the tough, low-margin business of BTS stationery and school supplies any time soon.

In this year's survey, pollsters queried 431 readers of *Better Homes & Gardens*. As a group, the respondents have slightly higher than average income, but most of the conclusions drawn from the studies are based on comparisons with previous surveys of people with about the same earnings. More than 84% of those surveyed have attended college, but the percentage was similar in previous years. As usual, nearly 90% are homeowners. Only households with school-age children are included in the polls.

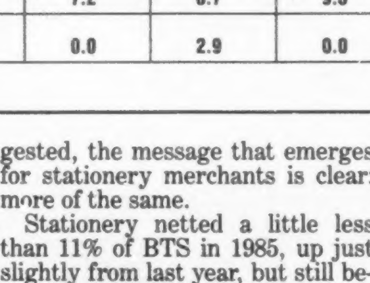
And when the numbers are digested, the message that emerges for stationery merchants is clear: more of the same.

Stationery netted a little less than 11% of BTS in 1985, up just slightly from last year, but still behind the 12.4% share of 1983.

Apparel remains the most important BTS category, accounting for 57.2% of sales last year. In both 1983 and 1984, apparel was 56% of BTS.

Shoes are still the second place merchandise in BTS sales, with 19.5% of volume last year, compared with 19% the year before and 21.2% in 1983.

Consistency in share is remarkable for a survey in which consumers are asked to estimate percentage. The flat figures indicate parents know what they want in BTS. Fashion would have little influence on their decisions.


*People are spending less for BTS**

*Percentage who spent less than $200
Source: *Chain Store Age/Better Homes & Gardens*

Perhaps the survey's strongest indication of how practical the consumer is about BTS shopping comes in the comparison of two trends.

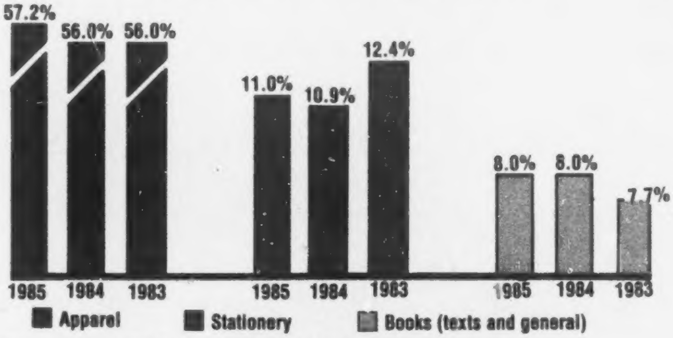
One of the trends is the flatness in the portion of BTS spending parents say they have devoted to textbooks, 6.4% in 1985, compared with 6.3% in 1984. Alone, the figures seem reasonable. With negligible inflation, the cost of textbooks should have remained about the same.

However, there is the matter of the second trend. Survey respondents estimate they spent much more money for BTS in 1984 than last year. The average estimate of total expenditures is pegged in the polls at $236 for last year and $307 for 1984.

That means that the average consumer in the poll says she spent $15.10 last year and $19.40 the year before for textbooks.

Did the cost of textbooks go down? No. The point is that customers are so rigid in their perceptions of where BTS money goes, that they

*Categories maintain BTS share**



*Percentage of total BTS spending Source: *Chain Store Age/Better Homes & Gardens*

do not change their ideas of category share even when they spend less in total.

The amount of the decrease probably is exaggerated by the perceptions of the people polled. When inflation is low, but spending is still soft, consumers tend to underestimate their expenditures. Moreover, during times of modest inflation, consumers become comfortable with the amount they spend and are less likely to overstate expenses.

But even if the drop in spending is inflated in the survey, a drop did occur and figures from the poll point to relationships that hold true.

The numbers show that customers in moderate- and high-income groups are all spending less for BTS goods. The biggest decline was among those with the most to spend. Respondents with incomes of $50,000 or more say they spent an average of $295 last year, just $59 above the mean for everyone surveyed. In 1984, the well-heeled customers averaged $457 in purchases, $150 more than the average for all consumers included that year.

In 1985, the affluent were as likely as those with moderate incomes to cap their BTS expenditures below $200.

The reluctance of the relatively wealthy to spend more was a break from the past. In 1984, for example, people with incomes above $50,000 were much less likely to hold down BTS spending than were their less affluent neighbors.

Perceptions of dramatically lower BTS spending ran the gamut of incomes, in 1985, however. The number of households unwilling to part with more than $200 ballooned to nearly 52% last year, up from about 41% in 1984 and 1983.

No increase occurred at the high end to offset the swollen ranks of customers who are spending less. Fewer than 3% spent $700 or more last year, down from 9% the year before. □

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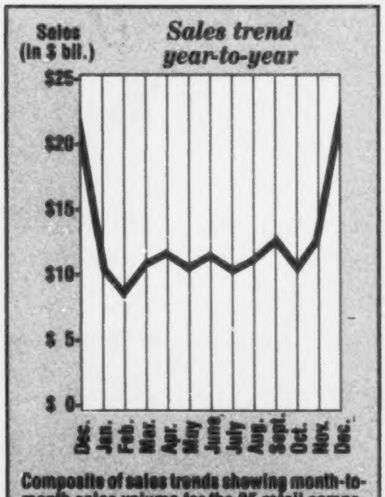
Lean Santa to bring plump profits

Santa brought uneven sales performance to the nation's major retailers this Christmas, but leaner inventories going into the holiday selling season should result in healthy profits when fourth quarter totals are tallied.

The 26 chains tracked by *Chain Store Age* posted a 7.4% sales increase over last December. The clear winners were department and specialty stores, which averaged 7% to 9% increases. Faring less well were Montgomery Ward, which reported sales off from last Christmas, and both Sears and K mart, where volume remained flat.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

For K mart, the fourth quarter profit picture remains potentially bright despite lackluster sales, since the period will be compared to last year's final quarter where a near uncontrolled blitz to clear dated merchandise ate heavily into profits.

At Wal-Mart, Christmas brought a 32.4% sales increase with comparable store results up 8%. According to the Bentonville, Ark.-based retailer, promotions this year ran about even with last year, but leaner inventories should reduce clearances in the final month of the fiscal year.

Toys "R" Us, citing the lack of a new Trivial Pursuit fad and shortages for some of this year's hot products such as Teddy Ruxpin and Pound Puppies, reported sales for December rising 13.8% over last year but same-store results gaining a more modest 2.8%.

Radio Shack operator Tandy continued on the upswing in December, posting double-digit sales gains for its U.S. operations. Adding to the good news at Radio Shack was a smaller than usual merchandise return rate in the week following Christmas.

St. Louis-based Edison Bros. bucked its own trend in December and posted an 11.6% sales gain, its largest monthly increase of the year. For the 52-week period ended Dec. 29, the operator of shoe stores and men's and women's apparel outlets recorded sales up 2.8%.

Sales gains modest

		Dec. Sales*		Stores		11-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,4]	+ 1.0	3,307,900	3,274,500	799	798	23,821,700	23,705,900	+ 0.5
Penney[7]	+ 8.0	2,426,000	2,245,000	1,979	2,014	12,993,000	12,703,000	+ 2.3
Ward[1,6]	− 0.4	680,811	683,580	314	322	4,129,683	4,220,873	− 2.2
Federated[1,6]	+ 0.3	1,423,000	1,418,500	485	451	7,698,100	7,296,300	+ 5.5
Dayton Hudson	+ 5.6	1,551,900	1,468,900	1,211	1,149	8,091,500	7,128,700	+ 13.5
May Dept. Stores	+ 4.2	896,800	860,500	2,054	1,839	4,850,000	4,440,000	+ 9.2
R. H. Macy	+ 5.0	858,600	817,700	95	92	4,268,300	4,016,600	+ 6.7
Allied Stores	+ 3.2	760,800	736,900	346	333	4,098,000	3,750,000	+ 9.3
Carter Hawley Hale[6]	+ 0.9	707,000	701,000	299	268	3,754,300	3,463,000	+ 8.4
Associated Dry Goods	+ 3.2	760,800	736,900	346	333	4,098,000	3,750,000	+ 9.3
Mercantile	+ 15.7	331,028	286,067	80	79	1,779,349	1,614,801	+ 10.0
K mart[3,5]	+ 0.0	3,587,420	3,585,604	2,180	2,174	21,168,552	19,584,904	+ 8.0
Woolworth	+ 7.3	1,014,000	946,000	N/A	N/A	5,649,000	5,396,500	+ 4.7
Wal-Mart	+ 32.0	1,242,000	938,000	851	752	7,844,000	5,976,000	+ 31.0
Zayre[2]	+ 35.2	651,406	481,769	960	848	3,620,855	2,978,259	+ 21.6
Bradlees	+ 20.0	333,000	278,000	158	132	1,537,000	1,325,000	+ 16.0
Rose's	+ 5.5	163,565	154,946	204	195	959,606	876,238	+ 9.5
Ames	+ 110.0	288,900	137,000	450	385	1,423,100	776,000	+ 83.0
Jamesway	+ 9.0	93,695	85,921	91	85	500,953	448,801	+ 11.6
Heck's	+ 38.3	83,900	60,600	165	126	501,400	442,100	+ 13.4
Melville[6]	+ 17.3	813,124	693,339	5,575	5,293	4,547,125	4,191,262	+ 8.4
Tandy	+ 22.0	509,004	417,710	N/A	N/A	2,878,451	2,540,402	+ 13.3
Edison Bros.	+ 11.6	121,300	108,700	N/A	N/A	746,300	721,400	+ 3.4
The Gap	+ 42.3	142,900	100,400	680	627	628,400	495,600	+ 26.8
Circuit City	+ 38.0	144,100	104,600	113	N/A	627,500	469,800	+ 33.6
Totals & Averages	7.4	22,873,553	21,293,936	—	—	130,522,111	120,974,265	+ 7.8

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 337 Zayre stores (vs. 290 a year ago), 432 Hit or Miss (vs. 402) and 191 T. J. Maxx stores (vs. 156). [3] Excludes supermarket sales. [4] Includes results from Sears Canada. [5] Store count is for K mart stores only. [6] Continuing operations only. [7] Domestics operations only.

Salomon Bros. rates retailers overrated

Citing a bull market which had run the price of a number of stocks above their investment worth, Salomon Bros. started the year with a vote of no confidence in retailing issues. Of the 10 common stocks listed on its sell list for 1986, the investment firm named three retailers and one diversified corporation with strong retailing ties.

Mentioned by Salomon Bros. were Dayton Hudson, J. C. Penney and Carter Hawley Hale. Also listed was General Cinema, which maintains an interest in Carter Hawley Hale as a result of the Los Angeles-based retailer's successful takeover defense in 1984.

Retailing stocks have had an on-again, off-again relationship with Wall Street in recent years, but the Salomon Bros. sell suggestion is significant because of its potential influence on institutional investors. There is one note of hope for the retailers, however. Also named on the sell list was Boeing, which in 1985 turned in the best year in its history.

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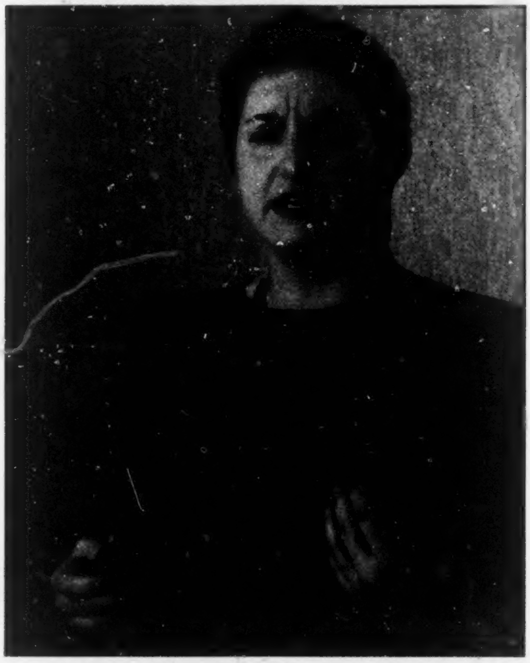
Second annual Value Study
Trade restrictions: The uncertain future

Chain Store Age

GENERAL MERCHANDISE TRENDS MARCH 1986

The emerging FEMALE CE customer



"When I look at an audio system I get as excited by all the lights and bells and whistles as a male buyer does."

Monica Dudek, buyer The Broadway Southern California

TWO DOLLARS PER ISSUE

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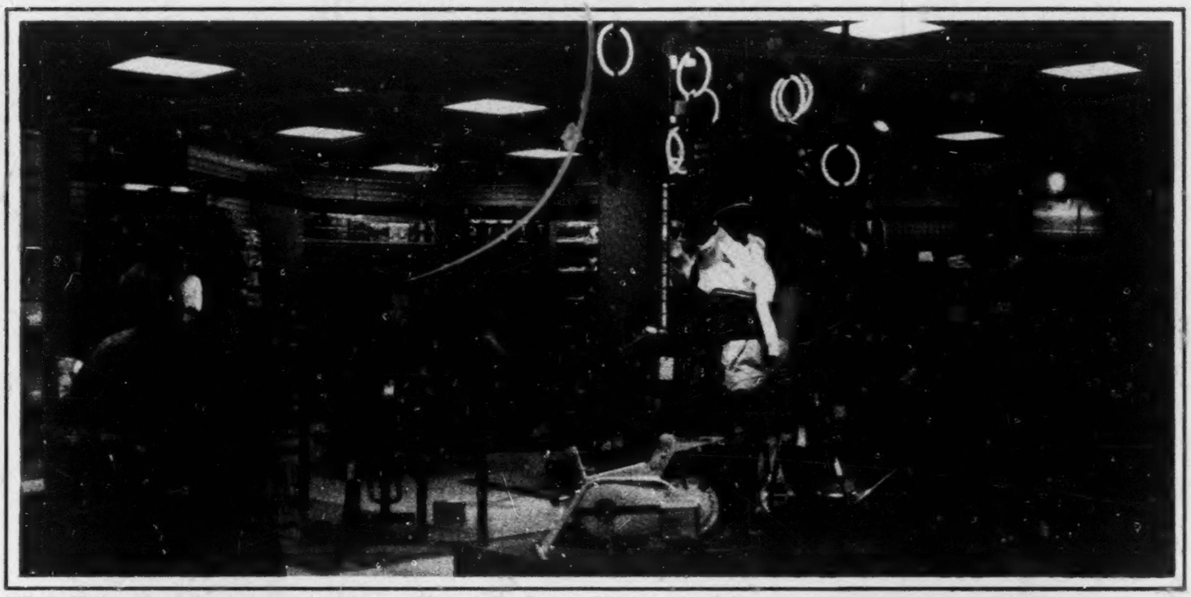
March 1986



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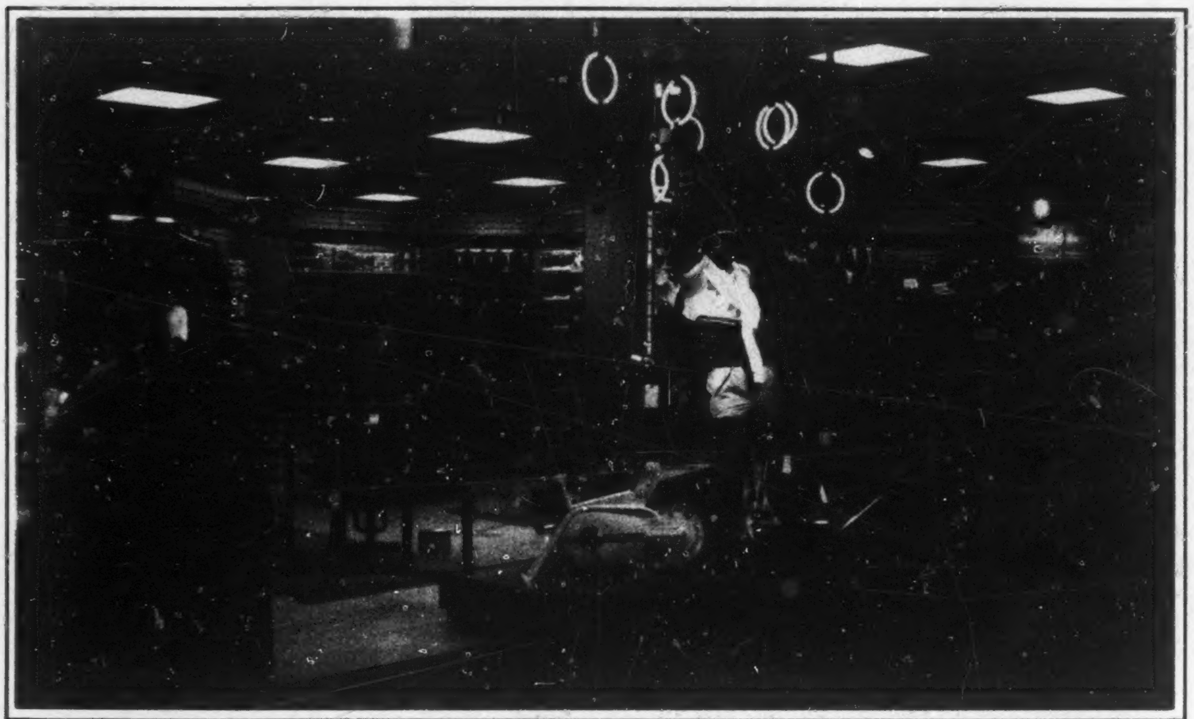
WHAT ATTRACTS SHOPPERS TO A RETAILER?

DOMINANCE

CSA's second annual Value study finds that those retailers that have the most stores and greatest sales are judged by consumers to have the best value.



Famous-Barr ranked highest *in most categories in the St. Louis area.*

To be dominant—either in store numbers, sales, or in merchandise offerings—is the goal of most retailers. And with good reason.

Results of the second annual *Chain Store Age* study of Value reveal that consumers are attracted to dominant retailers when picking those merchants they believe deliver the most value.

"Retailing is a psychological game played by the customer and the merchant around the question, 'Why should the customer buy from me?'" Stanley J. Goodman, retired chairman of May Dept. Stores, told the National Retail Merchants Association convention in January.

"The winners," said Goodman, "are the retailers who have positioned themselves in the customer's mind with the strongest reasons to come to them. The losers are the once whose customer appeal is weakening, whether they know it or not."

In the five markets *Chain Store Age* studied—Boston, Miami, St. Louis, Houston and Denver—the 1,011 households surveyed provided ample testimony to support Goodman's thesis. They zeroed in on the dominant stores in their markets. Their responses also raised doubts about the strengths of specialty stores and mail-order retailing.

Jordan Marsh, Burdines, Famous-Barr and Foley's captured the loyalty of their hometown fans. In a break with form, Denver residents gave the top prize to Minneapolis-based Target.

Target's "carpetbag" victory, however, should not raise too many eyebrows as it runs true to form. In the Denver market, Target's 10 stores pull in as many if not more sales than the leading department stores in the region.

Indeed, second place, as well, did not go to a Denver department store. J. C. Penney copped the honor. In the other markets, Sears finished second in Miami, Houston and St. Louis. Filene's took the silver medal in Boston.

***Specialty stores** scored well in furniture, sporting goods and toys.*

Methodology: *Chain Store Age* based the value ratings on random telephone surveys conducted by Leo J. Shapiro & Associates in December 1985. In each market some 200 households responded. Women comprised 59% of the sample.

Consumers judged retailers in two ways. First, they named a retailer who provided the best value for each of 14 attributes, such as good everyday prices, knowledgeable saleshelp, and for carrying the "fashions and looks I want."

Next, respondents chose the one store that delivered the best value for each of 14 merchandise departments, including consumer electronics, housewares and women's apparel.

For each attribute and merchandise department a ranking was given to every store named. The total for the 28 rankings determined the best of the field in each market.

Despite all the hoopla associated with specialty stores, the *CSA*/Shapiro Value II study affirms the viability of the full line general merchandise store, be it a department store, discounter or part of the Sears-Penney-Montgomery Ward group.

Department stores came out the No. 1 choice for women's and men's apparel. For children's clothing, consumers said the Big 3 and department stores purveyed the best value. Thus, specialty stores failed to win any of the key apparel departments.

Specialty stores dominated several hard lines areas, notably toys (mainly on the strength of Toys "R" Us), sporting goods and furniture. They trailed considerably in housewares, home textiles, home furnishings and cosmetics, while recording only a negligible margin of support in stationery, photo/camera and consumer electronics.

Discount stores were said to have the best value for small electric appliances and stationery products. Department stores, according to consumers, delivered the best value for nonelectric housewares, home textiles and cosmetics. The Big 3's home furnishings drew the most favorable mentions.

When asked to pick the best stores by attributes, hardly anyone named a specialty store.

Shopping patterns: The vulnerability of apparel specialty stores can be seen when comparing the per cent of shoppers who visited the retail format during the last two years. Only 38% of the 1,011 households shopped in apparel specialists last year vs. 42.6% who responded to a similar question a year ago when *CSA*/Shapiro polled 1,008 households in Philadelphia, Chicago, Atlanta, Dallas and Los Angeles.

Off-pricers hurt by lower shopper frequency

(% shopped during last year)

	1985	1986
Department stores	97.9%	97.1%
All discount stores	80.1	77.9
Sears	79.2	77.7
K mart	74.7	69.8
Penney	68.7	60.9
Variety stores	58.3	55.4
Mail order	41.4	41.0
Flea markets	36.0	38.4
Specialty apparel stores	42.6	38.0
Catalog showrooms	42.4	37.8
Montgomery Ward	39.8	35.8
Off-price stores	44.1	35.6
Factory outlets	44.5	35.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Moreover, those 38% who shopped the specialists reported a basically flat pattern of store visits, neither increasing nor decreasing their trips to specialty stores.

Though mail-order retailing is estimated at anywhere between $70 billion and $100 billion a year and growing rapidly, the *CSA*/Shapiro Value II study gives reason to ponder its continuing upward potential. Dollar growth appears to be coming from greater usage of mail order by consumers already predisposed to that form of retailing rather than by market extension.

Forty-one per cent of those surveyed in the current study reported they shopped by mail, a sum identical to last year's study. However, when the current 41% conveyed their mail-order habits, 39% said they were shopping by mail more often than a year ago; 31% said they relied less often on the mail.

That same pattern of fewer overall shoppers but more committed core customers showed up for off-price stores, factory outlets, K mart and other discount stores and variety stores.

Survey results corroborate the tough year the off-price factory outlet industry had in 1985. Off-price stores suffered an 8.5% customer erosion, while 7.5% fewer households said they visited factory outlets last year compared to a year ago.

Again reflecting the reality of the marketplace, consumer patronage of Penney dropped by 7.5%. K mart's fell by nearly 5%. Trips to Sears remained basically constant, but the nation's largest retailer had other reasons to despair.

Falling Sears: Nearly 8 out of 10 households (77.7%) said they shopped in Sears during the last year. But 27.7% of that group said they reduced their shopping at Sears while 24.1% said they increased it.

A year ago Sears received its best score for its return policy, an attribute Sears highlighted with a dramatic television commercial entitled "Falling tools." Despite the ad, the five city rating for Sears' return

In Houston, which store has . . . ?

	Sears	Penney	Ward	Foley's	Joske's	Macy's	K mart	Target	Wal-Mart	Service Merchandise	Best	Mervyn's
Stores in Market	8	8	6	12	11	3	18	15	12	8	7	4
Best value for money	19.3	5.0	5.4	20.8	2.0	3.0	6.9	5.9	3.5	0.5	—	2.5
Good service	17.3	3.0	4.5	24.3	3.5	4.5	2.5	1.5	1.0	0.5	—	2.5
Knowledgeable saleshelp	17.3	4.0	3.0	22.8	4.0	4.5	1.0	1.0	1.0	—	—	2.6
Always find what I want	18.2	2.5	2.5	31.2	3.5	3.5	2.5	5.4	4.0	1.0	—	—
Good everyday prices	22.3	5.4	3.5	17.3	1.0	1.0	9.4	5.9	8.4	—	—	2.5
Big selection	22.3	3.5	4.0	32.2	3.0	4.5	3.5	5.0	4.5	0.5	0.5	1.5
Best return policy	21.3	3.0	2.0	22.8	1.0	3.0	4.0	5.0	4.0	0.5	—	1.5
Easy to get to	15.8	3.5	4.5	21.3	2.5	2.0	6.9	5.0	5.8	1.0	—	2.5
Good advertising	16.3	2.0	4.0	30.7	4.0	4.5	5.4	6.4	3.5	1.5	—	1.5
Great sales	17.3	3.0	5.9	20.3	4.0	4.5	4.5	5.9	4.5	0.5	—	3.0
Most enjoyable shopping experience	15.3	6.9	2.5	29.7	5.0	9.4	2.5	3.5	2.0	—	—	1.5
Fashions and look I want	7.9	5.0	3.0	32.2	5.9	5.4	1.5	0.5	2.0	0.5	—	2.5
Quality merchandise	15.8	6.9	3.0	31.7	6.4	4.0	1.5	1.0	2.0	—	—	1.5
Easy checkout	14.4	2.0	3.5	25.2	3.5	3.5	4.5	3.0	4.0	0.5	—	2.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Houston, which store has the best value for . . . ?

	Sears	Penney	Ward	Foley's	Joske's	Macy's	K mart	Target	Wal-Mart	Service Merchandise	Best	Mervyn's
Stores in Market	8	8	6	12	11	3	18	15	12	8	7	4
Sporting goods	14.4	1.0	5.9	6.4	1.5	1.0	4.5	2.0	4.0	3.5	—	—
Stationery	5.4	2.5	2.0	12.9	2.5	0.5	8.4	7.4	3.5	0.5	—	—
Men's wear	12.4	6.4	4.5	23.8	6.4	3.5	1.5	0.5	1.5	—	—	1.5
Cosmetics	3.0	—	3.5	36.1	0.5	3.5	4.0	5.4	2.0	0.5	—	—
Home Textiles	19.8	5.4	5.4	22.8	5.4	3.5	5.0	6.9	4.5	1.0	—	—
Small electric housewares	21.8	2.0	4.5	10.9	1.0	1.5	8.4	14.4	4.0	6.4	4.0	—
Nonelectric housewares	19.3	2.5	5.0	15.8	4.0	3.0	7.9	13.4	4.5	5.0	3.5	1.0
Children's wear	20.3	6.4	5.9	15.3	1.0	0.5	4.0	3.5	2.0	—	—	3.0
Photo/Camera	7.4	1.5	6.4	11.9	1.0	1.0	4.5	5.9	1.0	7.0	4.5	—
Furniture	11.4	3.0	6.4	15.3	4.0	1.0	0.5	0.5	1.0	—	—	—
Home furnishings	16.8	5.4	9.4	16.8	2.0	1.0	4.5	5.4	1.0	2.0	1.0	—
Women's wear	6.9	5.0	4.5	27.7	4.0	6.4	2.0	0.5	1.0	—	—	1.5
Consumer Electronics	14.4	2.5	5.4	15.3	1.5	2.0	1.5	3.0	1.5	3.0	3.5	—
Toys	7.9	4.0	4.5	3.0	0.5	—	6.4	7.9	2.5	3.0	0.5	1.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

policy fell 4% to 17%.

Perhaps the advertising has not been as effective as Sears would like. Overall ratings of Sears' advertising value tumbled 3%, while most of the attributes Sears hoped to highlight in last year's ad campaign—wide selection, enjoyable shopping experience, fashion and quality merchandise—failed to receive higher scores year to year.

Men continue to be the prime believers in Sears. One out of every 4 males rate Sears best for having a big selection, but only 14% of female shoppers do. Seventeen per cent of the males surveyed like the quality of Sears merchandise and always find what they want compared to 11% of females.

Twice as many men as women think Sears runs great sales. A similar ratio of men to women find Sears an enjoyable place to shop.

Perhaps the most graphic illustration of Sears as a men's store is the fact that 15% of the men find it convenient to get to but just 10% of the women do.

On a positive note, Sears displayed greater appeal to those under 35 in the key areas of selection, return policy, always finding what is wanted and saleshelp. But it lagged in carrying the fashion and looks consumers want.

The under 35 group found Sears' women clothing less of a value. But they liked children's wear, home furnishings, consumer electronics and photo/camera departments.

Another potential trouble spot:

In Boston, which store has . . . ?

	Sears	Jordan Marsh	Filene's	Bloomingdale's	K mart	Bradlees	Caldor	Zayre	Lechmere	Marshalls	T. J. Maxx	Service Merchandise
Stores in Market	9	14	18	2	10	21	14	27	8	16	9	6
Best value for money	10.6	13.6	12.6	1.0	1.5	11.1	2.0	3.5	2.0	8.6	1.5	2.0
Good service	11.1	11.5	13.6	3.0	0.5	5.6	1.5	2.5	2.0	4.0	0.5	1.5
Knowledgeable saleshelp	10.1	14.1	18.2	2.5	—	4.0	2.0	1.5	2.5	2.0	—	0.5
Always find what I want	9.6	18.7	11.6	1.5	1.5	10.6	1.0	3.5	2.0	3.0	0.5	0.5
Good everyday prices	10.1	8.6	12.1	0.5	3.0	17.2	2.0	6.1	3.0	7.1	2.0	1.0
Big selection	18.7	21.2	13.6	1.0	1.5	11.6	1.0	1.5	2.5	5.6	0.5	1.0
Best return policy	12.6	14.1	13.1	1.0	1.0	9.1	1.0	3.0	3.5	6.1	1.5	0.5
Easy to get to	10.1	14.6	18.2	2.0	1.5	11.1	2.0	2.5	2.0	5.1	2.5	1.0
Good advertising	9.1	18.2	17.2	1.5	1.0	14.1	1.5	3.5	1.5	4.0	0.5	1.0
Great sales	12.1	8.6	16.2	—	0.5	13.6	1.5	4.0	2.5	5.1	1.0	0.5
Most enjoyable shopping experience	6.6	12.1	14.1	5.1	1.0	7.6	—	2.0	2.5	3.5	1.5	0.5
Fashions and look I want	4.5	18.2	18.2	5.6	0.5	4.0	0.5	0.5	—	2.5	1.5	—
Quality merchandise	10.6	19.7	16.2	4.5	0.5	4.0	2.0	1.0	1.5	3.0	1.0	—
Easy checkout	8.6	13.1	9.6	4.0	1.5	9.3	2.0	8.6	1.5	5.1	0.5	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Boston, which store has the best value for . . . ?

	Sears	Jordan Marsh	Filene's	Bloomingdale's	K mart	Bradlees	Caldor	Zayre	Lechmere	Marshalls	T. J. Maxx	Service Merchandise
Stores in Market	9	14	17	2	10	21	14	27	8	18	9	6
Sporting goods	7.1	6.1	1.0	—	1.5	2.5	2.5	0.5	6.6	0.5	—	0.5
Stationery	6.1	6.6	7.1	2.0	1.0	8.6	1.0	3.0	1.0	—	—	—
Men's wear	7.1	19.7	17.2	—	1.0	6.1	—	1.5	—	2.0	2.5	—
Cosmetics	3.0	18.1	18.7	2.0	1.5	4.5	—	1.0	—	0.5	—	—
Home Textiles	10.1	19.7	11.6	5.6	1.5	12.6	2.0	2.0	0.5	4.0	1.5	0.5
Small electric housewares	12.6	8.1	4.0	4.5	2.5	15.2	2.5	2.5	23.3	—	—	4.0
Nonelectric housewares	9.1	18.7	7.1	4.5	1.0	15.2	0.5	2.5	15.2	0.5	—	1.0
Children's wear	12.1	9.1	12.1	1.0	0.5	7.6	3.5	3.0	—	4.0	—	—
Photo/Camera	6.6	4.5	1.5	0.5	1.5	1.5	2.5	1.5	19.7	—	—	3.0
Furniture	8.1	15.7	1.0	2.0	—	—	—	0.5	1.5	—	—	—
Home furnishings	18.7	17.7	4.0	4.5	2.0	7.1	0.5	1.0	3.0	1.0	—	—
Women's wear	6.1	18.7	17.7	2.0	0.5	3.5	0.5	1.0	—	4.0	2.5	—
Consumer Electronics	12.1	7.6	1.0	0.5	0.5	4.0	1.0	1.0	25.3	—	—	2.5
Toys	6.1	3.0	1.0	—	2.0	3.1	2.0	2.5	9.0	—	—	0.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Sears appealed more to those with incomes under $30,000.

A year ago Sears finished first in three of the five markets studied—Dallas, Los Angeles and Chicago. It came in second in Philadelphia and Atlanta.

This past year appears to have been a disappointing one for Sears, not only in sales and earnings but also in the way customers perceive it. In every merchandise department, Sears scored lower with this year's respondents. It dropped noticeably in men's and children's wear, home textiles, consumer electronics, housewares and sporting goods.

Nevertheless, Sears retained enough strength to finish second in three markets.

Troubled Target: Target's three market performance was a mixed bag. In Denver, where its 10 stores make it the dominant retailer of any type, it prompted impressive responses. It came in first for seven of 14 attributes, including good everyday prices, best return policy and great sales.

In six of 14 merchandise areas—toys, photo/camera, electric and nonelectric housewares, sporting goods and stationery—Denver residents judged Target best.

In Houston, Target ran up

against one solid department store, Foley's, instead of the fragmented loyalty fostered by Denver department stores. Target's 15 stores also found the discount competition fiercer from K mart's 18 Houston stores than from K mart's 15 in Denver. In Houston, Target could manage just a photofinish victory over K mart.

Notable in Houston was the favorable rating achieved by Wal-Mart. With 12 stores in the market, and just two in Houston proper, Wal-Mart secured considerable notice. Its everyday low prices received the most recognition.

St. Louis proved to be a market where the local retailer was the clear favorite. Famous-Barr was the class of the field, while its discount sister, Venture, came in a close third behind Sears.

Target was most disappointing in St. Louis. Though its 10 stores were the fewest of any major discount store chain, they were nearly comparable to Venture's 13. Yet, while Venture topped the discount field, Target was bested quite handily by K mart and Wal-Mart.

Looking at Target's scores in St. Louis and Houston, cities where it had the most competition, several soft spots come into focus.

First is the failure to win consumer confidence in its apparel programs. In both cities K mart and Wal-Mart, plus Venture, had better apparel scores.

In hard lines, sporting goods, consumer electronics and stationery need beefing up, too.

As for attributes, Target may have to concentrate more on service, everyday prices, quality merchandise and the checkout process. Even in Denver consumers gave Target low comparative marks for service and for quality.

New names: The fidelity to the dominant hometown retailer came through in market after market. Ratings dropped perceptively, usu-

In St. Louis, which store has . . . ?

	Sears	Penney	Famous-Barr	Dillard's	K mart	Target	Venture	Wal-Mart	Dolgin's
Stores in Market	4	8	13	9	20	10	13	17	5
Best value for money	11.7	11.2	18.4	8.3	8.7	6.8	8.3	7.3	—
Good service	18.4	10.2	21.8	9.7	3.9	3.4	5.3	3.4	—
Knowledgeable saleshelp	15.0	5.8	20.9	8.3	4.4	2.4	6.8	2.9	—
Always find what I want	13.6	8.8	19.9	8.3	7.3	3.9	11.2	4.4	—
Good everyday prices	10.2	8.3	13.6	4.4	12.6	6.3	16.0	9.7	—
Big selection	18.6	8.7	29.6	8.3	8.7	3.4	9.7	3.9	0.5
Best return policy	15.0	7.8	19.4	5.8	9.7	2.9	10.7	5.8	—
Easy to get to	8.2	5.8	21.4	8.3	13.6	1.5	13.6	6.3	—
Good advertising	11.7	5.3	24.3	5.8	10.2	3.9	17.0	2.4	0.5
Great sales	7.3	5.3	25.2	7.3	11.7	5.3	15.5	6.3	—
Most enjoyable shopping experience	10.7	6.8	27.2	11.7	5.3	3.9	7.3	4.4	—
Fashions and look I want	8.8	10.7	28.6	10.2	3.9	1.5	2.9	1.9	—
Quality merchandise	12.1	11.2	32.0	13.1	2.9	1.5	4.4	3.4	1.5
Easy checkout	11.2	7.8	18.4	9.7	6.3	3.4	8.7	7.3	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In St. Louis, which store has the best value for . . .?

	Sears	Penney	Famous-Barr	Dillard's	K mart	Target	Venture	Wal-Mart	Dolgin's
Stores in Market	4	8	13	9	20	10	13	17	5
Sporting goods	14.6	3.4	4.4	2.0	10.7	5.3	11.7	3.4	0.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Men's wear	10.7	9.7	29.1	4.9	5.8	1.5	5.3	1.9	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Home Textiles	10.7	15.5	22.8	5.4	10.2	6.3	11.2	2.9	1.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nonelectric housewares	8.3	3.9	21.4	4.4	9.7	6.8	15.5	3.9	7.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Photo/Camera	9.2	3.4	11.2	2.0	8.7	2.9	10.2	3.4	6.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Home furnishings	18.4	8.7	20.4	4.4	6.8	4.9	6.8	1.5	1.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Consumer Electronics	13.6	3.9	16.5	2.4	7.8	1.9	6.3	1.5	6.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Miami, which store has . . . ?

	Sears	Penney	Burdines	Jordan Marsh	Macy's	Bloomingdale's	K mart	Zayre	Marshalls	Service Merchandise	Best	Luria
Stores in Market	6	12	8	5	1	1	8	14	7	6	6	5
Best value for money	24.8	8.4	19.3	5.0	5.0	—	6.4	4.0	2.0	2.0	0.5	—
Good service	23.3	5.4	27.7	6.4	3.5	1.0	3.0	3.5	0.5	1.0	0.5	—
Knowledgeable salesheip	15.8	5.4	19.8	7.4	3.0	2.0	2.0	4.0	—	1.0	0.5	0.5
Always find what I want	20.3	5.4	23.3	5.9	4.5	—	4.5	3.5	1.0	0.5	0.5	—
Good everyday prices	16.8	12.9	15.8	4.0	4.5	—	12.4	7.4	3.5	3.5	—	1.5
Big selection	21.3	7.4	25.2	6.9	8.4	2.5	5.4	3.0	—	2.0	0.5	0.5
Best return policy	24.3	4.5	25.7	4.5	3.5	0.5	4.0	3.5	—	1.0	0.5	0.5
Easy to go to	14.0	3.5	25.2	5.9	4.5	0.5	7.9	9.9	—	0.5	0.5	0.5
Good advertising	16.3	3.5	28.7	6.9	7.9	0.5	4.0	9.4	—	0.5	—	0.5
Great sales	12.4	6.4	20.3	5.0	6.9	2.0	7.9	10.9	1.5	0.5	—	—
Most enjoyable shopping experience	13.4	4.0	27.7	6.9	7.4	3.0	5.9	2.5	—	—	—	0.5
Fashions and look I want	8.4	4.0	28.7	8.4	5.0	3.0	2.5	1.0	—	—	—	—
Quality merchandise	19.8	5.0	30.2	5.9	5.4	3.0	2.5	3.0	—	—	1.0	0.5
Easy checkout	18.3	7.4	25.2	7.4	3.5	—	4.5	5.0	—	2.0	0.5	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Miami, which store has the best value for . . . ?

	Sears	Penney	Burdines	Jordan Marsh	Macy's	Bloomingdale's	K mart	Zayre	Marshalls	Service Merchandise	Best	Luria
Stores in Market	6	12	6	5	1	1	8	14	7	6	6	5
Sporting goods	22.3	5.4	8.4	2.0	2.0	0.5	7.4	1.5	1.0	1.5	1.5	0.5
Stationery	7.9	3.0	14.9	2.5	1.0	0.5	7.9	7.9	—	—	—	—
Men's wear	12.9	6.4	30.7	9.4	4.0	1.0	3.5	1.5	1.5	—	—	—
Cosmetics	3.0	1.5	37.6	4.5	4.0	1.0	2.5	2.0	—	—	—	—
Home Textiles	19.3	9.4	24.3	4.0	5.0	0.5	4.0	5.0	0.5	—	—	—
Small electric housewares	20.7	4.5	18.4	1.5	4.0	—	5.9	8.4	—	7.9	4.5	7.4
Nonelectric housewares	20.8	5.0	18.3	1.5	5.0	0.5	8.4	8.9	—	3.0	2.5	4.5
Children's wear	18.3	6.9	18.8	2.0	1.5	0.5	5.0	6.4	1.0	—	—	—
Photo/Camera	13.4	3.0	13.4	0.5	1.0	—	5.4	2.0	—	3.5	2.0	3.5
Furniture	12.4	5.4	13.4	3.5	2.0	1.0	1.0	1.5	—	0.5	—	—
Home furnishings	18.3	5.4	14.9	3.0	2.0	1.5	4.5	4.5	—	3.5	1.5	1.5
Women's wear	5.9	4.5	29.2	8.4	3.5	0.5	1.5	2.0	3.0	—	—	—
Consumer Electronics	17.8	3.5	13.9	—	3.5	—	3.5	1.0	—	5.4	1.5	1.5
Toys	8.9	5.0	2.5	1.0	1.0	—	4.5	3.0	—	1.5	0.5	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

ally after the first two mentioned retailers.

Yet, the introduction of new names did spark interest. Macy's New York may only have one store in Miami and three in Houston, but the impact already is highly measurable. With just minimal representation Macy's drew more favorable value ratings than some long-standing, entrenched locals.

In Houston, for example, consumers said Macy's delivered better value attributes than Joske's 11 stores. Though Joske's held a 2:1 advantage in merchandise assessments, it came out second to Macy's in the key areas of women's wear and cosmetics.

Mervyn's, too, pulled in comparatively strong marks considering its four stores have been open just over a year.

In Miami, as it did in Houston, Macy's trailed Federated's local unit, but stacked up fairly well against the Allied Stores entry, Jordan Marsh. Housewares, textiles and consumer electronics received good scores, as did the total store for overall selection.

Bloomingdale's new store in Miami found the reception much tougher than did Macy's. But RG. Branden's, Dayton Hudson's new home furnishings store in Miami, pulled in support. Its textiles were said to be the equal of Jordan Marsh's, nonelectric housewares were thought to be better than the department store's (3.5% vs. 1.5%).

Wholesale clubs, particularly Sam's in St. Louis and Houston, recorded support for their small electric housewares. Sam's one store in Houston drew more mentions than Penney's eight stores, Joske's 11, and Macy's three stores. The Sam's in St. Louis posted better small electrics ratings than did Penney, Dillard's and Service Merchandise.

Boston's picks: When evaluating retailers by attributes consumers could not select a winner. Jordan Marsh and Filene's received equal praise as best in the market.

But when judging merchandise, consumers gave the nod to Jordan Marsh, although Filene's did outpoint Jordan Marsh slightly in women's wear and had a wider margin in children's wear and cosmetics.

Though it could be argued that Filene's is not a full line store, as is Jordan Marsh, and thus could not win an overall competition, the fact that consumers found Jordan Marsh best in the market, demonstrates the viability of carrying more than just fashion items.

Bradlees swamped the discount competition. But even in defeat, Zayre had a worthy mention. Its easy checkout score reflected consumer recognition of its advertised program of never permitting more than three customers to wait in line at a register. ☐

In Denver, which store has . . . ?

	Sears	Penney	Ward	May D&F	Denver Dry Goods	Joslins	K mart	Target	Wal-Mart	LaBelle
Stores in Market	[illegible]	4	[illegible]	6	[illegible]	6	[illegible]	10	[illegible]	4
Best value for money	10.8	12.3	3.1	9.4	4.9	13.3	10.8	15.8	0.5	1.5
Good service	11.8	14.3	7.4	14.8	[illegible]	11.8	[illegible]	4.4	[illegible]	0.5
Knowledgeable saleshelp	8.9	9.9	6.9	14.8	10.3	11.3	1.5	3.9	0.5	—
Always find what I want	7.9	9.9	3.9	8.4	[illegible]	16.3	7.4	10.8	[illegible]	0.5
Good everyday prices	8.4	8.9	4.4	6.9	3.0	10.8	14.3	22.7	0.5	1.5
Big selection	16.3	12.8	[illegible]	18.7	[illegible]	16.3	[illegible]	12.8	—	1.0
Best return policy	11.8	11.8	5.4	9.9	6.9	5.4	5.4	17.2	0.5	—
Easy to get to	[illegible]	8.9	[illegible]	13.3	[illegible]	8.9	[illegible]	14.3	[illegible]	—
Good advertising	8.9	5.4	6.4	13.3	6.4	7.9	8.4	20.7	0.5	0.5
Great sales	[illegible]	7.4	[illegible]	11.8	[illegible]	12.8	[illegible]	17.7	[illegible]	0.5
Most enjoyable shopping experience	6.4	9.9	2.5	13.3	9.9	14.8	6.4	5.9	0.5	0.5
Fashions and look I want	[illegible]	7.4	[illegible]	17.2	13.5	16.3	[illegible]	1.5	[illegible]	—
Quality merchandise	10.8	10.8	3.9	21.2	18.2	10.8	2.5	3.4	0.5	—
Easy checkout	[illegible]	13.8	[illegible]	13.3	[illegible]	18.8	[illegible]	12.8	[illegible]	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Denver, which store has the best value for . . .?

	Sears	Penney	Ward	May D&F	Denver Dry Goods	Joslins	K mart	Target	Wal-Mart	LaBelle
Stores in Market	[illegible]	4	[illegible]	6	[illegible]	6	[illegible]	10	[illegible]	4
Sporting goods	5.4	3.0	3.4	0.5	2.0	0.5	4.9	10.8	0.5	0.5
Stationery	[illegible]	4.9	[illegible]	2.5	[illegible]	4.9	[illegible]	15.8	[illegible]	0.5
Men's wear	6.9	17.7	1.0	12.3	4.9	7.9	3.0	3.4	—	—
Cosmetics	[illegible]	4.9	[illegible]	9.9	[illegible]	4.9	[illegible]	9.9	[illegible]	—
Home Textiles	8.4	23.2	4.4	8.9	19.3	9.4	4.9	12.3	2.5	0.5
Small electric housewares	[illegible]	4.4	[illegible]	3.0	[illegible]	2.0	[illegible]	25.1	[illegible]	15.8
Nonelectric housewares	7.9	6.4	3.4	13.3	5.0	5.4	3.4	20.2	0.5	8.4
Children's wear	[illegible]	16.7	[illegible]	4.4	[illegible]	8.4	[illegible]	9.9	[illegible]	—
Photo/Camera	3.9	5.4	2.0	2.5	1.5	1.5	5.4	7.4	—	7.4
Furniture	[illegible]	7.4	[illegible]	2.0	[illegible]	1.5	—	8.5	[illegible]	—
Home furnishings	14.3	10.8	8.9	4.9	2.0	5.9	5.4	9.9	0.5	1.5
Women's wear	[illegible]	18.3	[illegible]	14.3	[illegible]	13.3	[illegible]	1.0	[illegible]	—
Consumer Electronics	16.3	5.4	6.4	4.4	0.5	2.0	2.5	10.3	—	7.4
Toys	[illegible]	4.4	[illegible]	1.0	[illegible]	1.5	[illegible]	24.6	[illegible]	4.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Dept. stores score on price signs

It's easy to get customers into a store once. What helps keep them coming back? Clear price signing.

Sometimes, retailers can find too many ways to confuse shoppers. Overly intricate layouts, poorly signed departments and confusing own brand product labeling, all irritate customers and often send them out the front door.

Perhaps the worst thing a store can do to confuse its customers is not properly mark the prices of its goods. Price marking is an issue which consumers pay close attention to, according to the *CSA* Value study. The study shows that most shoppers note the way a retailer communicates its prices and appreciate those stores which do that job well.

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Price tags, rack signs and ads are the best methods for clear pricing.

Only 14.8% of those surveyed could not name a store with a price signing program they preferred.

Department stores as a group apparently do the best job of communicating their prices to consumers, according to the study. More than 28% of those surveyed in five markets selected a department store. The three mass merchandisers, Sears, J. C. Penney and Montgomery Ward, gathered slightly more than 23% of the responses. That showing is due largely to the score Sears achieved—14.6% of those surveyed. Penney garnered 6.6% of the responses and Ward 1.9%.

What is perhaps most surprising is that discount stores, which rely so heavily on self-service, scored lower than department stores and only as well as the Big 3. Discount stores are apparently not doing a good enough job of price signing to compensate for their smaller levels of sales help.

In just one market, St. Louis, did discount stores score demonstrably better than department stores. K mart led the way, with 14.1% saying it did the best job of communicating prices, while Venture scored 11.4%. Famous-Barr recorded 14.6% of mentions, but the Stix Baer Fuller stores operated by Dillard's achieved a score of just 6.9%.

In Denver, Target led the way with 13.8% of mentions. That proved nearly twice as high a score as the market's two major department stores—May D&F and Joslins. But the net score department stores achieved in Denver was higher than the net of discounters in that market because no other discounter scored nearly as well as Target.

Specialty stores and catalog showrooms scored the poorest in pricing signage, receiving not more than 5% of the votes as a group in each market.

Despite the high scores achieved by department stores, consumers want autonomy and self-service when it comes to finding out what an item costs. Only 5.6% of those who selected department stores as the places which best communicate prices, said that the store's salespeople are the main reason for their choice. Discount stores, ironically, scored slightly higher in this catego-

Shoppers rate stores on communicating prices

Why best	All stores	Sears	Penney	Discounters (net)	K mart	Dept. stores
Rack signs	[illegible]	8.8%	[illegible]	10.1%	[illegible]	17.8%
Good ads	13.4	15.5	7.5	23.7	24.1	13.4
Price tags	[illegible]	47.3	[illegible]	42.8	[illegible]	47.2
Salespeople	5.1	8.1	6.0	5.8	5.1	5.6
Label on shelf/rack	[illegible]	6.4	[illegible]	3.6	[illegible]	1.8
Prices easy to read/ large type	5.7	7.4	10.4	6.5	5.1	4.9
Have catalog	[illegible]	2.7	—	—	—	0.3
Easy to find prices	4.9	4.7	6.0	9.4	11.4	5.6
Other/not answering	[illegible]	13.5	[illegible]	10.8	[illegible]	15.7

Source: *Chain Store Age*/Leo J. Shapiro & Associate

ry, with 5.8% of those who selected discounters choosing sales help as the reason the store did a good job communicating prices.

The crucial medium for communicating prices, according to the survey, is the price tag. Nearly 40% named that medium. Sears, J. C. Penney, department stores and off-price stores all scored above the survey average in this area.

Two other media, rack signs and strong advertising, both finished second. Each was named by about 13% of the survey sample as the medium they best remembered at stores which do a good job of communicating prices.

Department stores scored well above the average for rack signing but only average on advertising which builds price awareness. Upscale discounters, however, garnered the most mentions on the use of signing on racks. Nearly 32% of those naming an upscale discounter as the place which best gives pricing information said that signs in the racks were the best medium used by these outlets.

Discount stores, not surprisingly, scored highest on advertising as a method of effectively communicating prices. Nearly 22% of those who preferred discount stores for pricing information said advertising was the most important factor. K mart scored particularly well in this area, gaining 24.1% of mentions, while upscale discounters garnered 18.8% of mentions for their advertising.

One medium which did not score particularly well was the practice of putting tags or labels on the shelf rack under an item. Only 2.6% of those who selected any store for the way it communicates pricing mentioned this as the most effective medium. Catalog showrooms were the only retailers who scored above 5% in this category. ☐

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dek says, "they make the customer a little more at ease with the product. It's like, 'If Mrs. Jones can sell me this product, then I can understand and use it.'"

In the end, it may simply be the entry of more women into consumer electronics retailing itself which will make the industry more responsive to women's needs.

"The possibilities are endless," says Schwartz. "Because electronics is such a young business in relative terms, the contributions that anyone can make are very well received—whether its from a man or a woman.

"What I've done is what anybody else could do if they wanted to," Schwartz adds. "I have not done anything extraordinary."

Making it: Yet each of these three women who are now changing the face of the Los Angeles home electronics market has accomplished something extrordinary. Not only have they made it in a male dominated field, but they are giving it a female profile.

Interestingly, none of the three views her own accomplishments as out of the ordinary. Dudek, for example, cites her move from buying furniture to buying electronics as the biggest prejudice she has had to hurdle.

"I was coming out of furniture," Dudek says. "To electronics people their attitude was 'Furniture? Those guys just play gin rummy all day.' That was my biggest hurdle." ☐

A new market with a feminine profile

Women account for 55.1% of consumers shopping for telephones.

Myth, advertising strategies and merchandising plans to the contrary, the market for home electronics has taken on a distinctive feminine profile. According to *Chain Store Age*/Marke-Trends research, women purchase the majority of products in the $35 billion consumer electronics industry.

Women customers bought nearly 3 out of 5 of the portable headphone stereos last year (see chart). In addition, *CSA* estimates that women were responsible for more than half of all sales for boom boxes, telephones, blank video tape, typewriters, telephone answering devices and computer software.

Manufacturers have been quick to react to the change in the target customer, especially in small audio where fashion and color have become prominent themes for more than a year. However rapid their response to the emerging market, vendors still seem uncertain as to what other strategies might prove effective. As the ever expanding palatte in portable audio indicates, adding color looks like the only strategy manufacturers have thus far discovered.

If vendors are perplexed, retailers are notable in their near total lack of response in recognizing the female electronics customer. Major exceptions are Miami-based specialty chain Beyond Personal Electronics and Tandy's Radio Shack division.

*Women's electronics shopping list**	
Portable headphone stereo	58.8%
Boom box	55.5
Telephone	55.1
Blank video tape	54.7
Typewriter	54.6
Telephone answering machine	52.0
Computer software	53.4
Television	50.0
Home computer	48.8
Stereo	46.7
Compact disc player	45.4
Video cassette recorder	44.4
Car stereo	41.5

*Per cent of each category's shoppers who are female
Source: Chain Store Age/Leo J. Shapiro & Associates

Beyond is one of the few—if not the only—consumer electronics retailer which actually identifies its target customer as a woman. Through fashion merchandising and advertising in women's sections of newspapers, Beyond has reversed the traditional industry cited ratio and totals approximately 60% of its sales to women.

Radio Shack in the last five years has watched its sales to women rise from only 5% to nearly 35% this year. Up to 50% of its sales of telephones in 1985 were to women. Responding to the trend, Radio Shack changed merchandise presentations in all stores last year, and 800 units are due for new fixturing in 1986.

What Radio Shack has shunned, however, is the move to fashion and color, considering it contrary to its middle of the road merchandising philosophy. In reality, what Radio Shack is looking to avoid is the treachery of fashion buying and fashion product design.

If fashion remains the only strategy to attract female customers, buying electronics might become as risky as buying apparel, since not every popular fad can be easily predicted. Sears, for reasons not entirely clear to its merchandising staff, has discovered that it can sell boom boxes in only three colors: steel gray, black and red.

Shopper interest in VCRs levels off

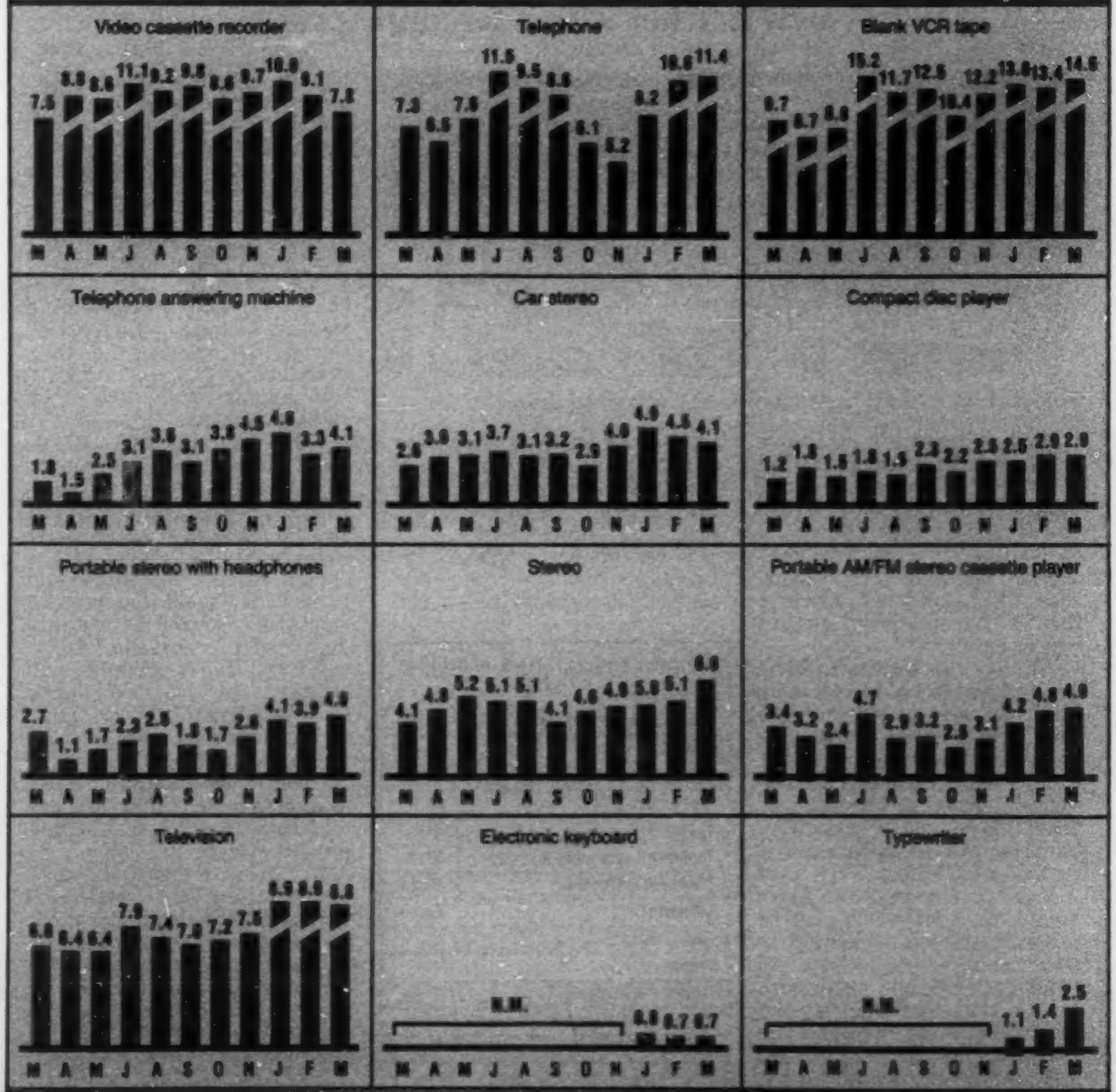
Video cassette recorders have hit their first sales plateau. According to MarkeTrends research, the number of households which expect to buy a VCR in the next year has dropped 22% in the last two months. Consumer interest levels are running just about even with totals recorded a year ago.

Still, the most recent study indicates that consumers have not yet lost their fascination with video products. For the last three months, consumers in the sample have expressed record high levels of interest in buying both blank video tape and televisions themselves.

However, the latest survey confirms that customers are registering growing levels of interest in buying audio categories this year. In the March poll, consumer intention to purchase a rack or component stereo system is 61% ahead of totals recorded a year ago. The 6.6% of households which say they expect to buy a stereo in the next 12 months is the highest level measured in five years of MarkeTrends polling.

Compact disc players, which many credit for higher interest in audio, continue on the upswing with a record 2.9% saying they expect to buy a CD player. ☐

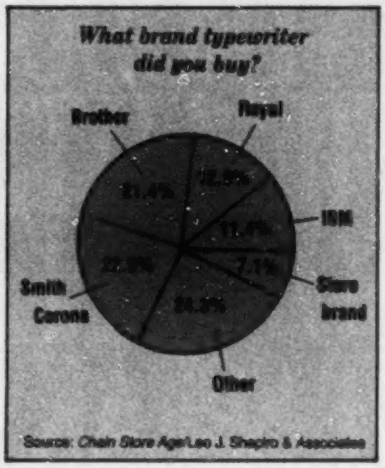
1985-86 Consumer Buying Intentions(*)



*% of households might buy N.M. = Not measured

Electronics key to typewriter return

Sears holds the largest market share in electronic typewriter sales.



What brand typewriter did you buy?

Source: *Chain Store Age*/Leo J. Shapiro & Associates

After years of sleepy unprofitability, typewriters are once again gaining the consumer's eye—electronics are generating the second look.

Only 40% of households in the latest MarkeTrends survey report that the last typewriter they bought was electronic. However, among those who expect to buy a typewriter this year, 52.4% say they intend to buy an electronic.

Though many retailers were not even in the typewriter business as recently as three years ago, general merchandisers are taking a commanding share of the estimated 2.6 million unit market in 1986.

Last year, the Big 3 mass merchants sold 25.3% of portables and compacts, according to the poll, followed by department stores (24.1%) and discount outlets (11.4%).

The biggest retail player in the reborn typewriter market is Sears. As part of its Store of the Future program, Sears moved typewriters into its electronics departments, and MarkeTrends polling reveals how well the move has paid off. With a 19% market share, Sears is the single largest typewriter retailer.

Among vendors, consumers in the MarkeTrends poll report buying Smith Corona with the greatest frequency (22.9%), followed by Brother (21.4%), Royal (12.9%) and IBM (11.4%). Another 7.1% of those surveyed report buying private label store brands.

On the average consumers expect to pay a median $200 for their new typewriter, exactly equal to what those who bought a typewriter last year say they paid. ☐

Discounters picking up telephones

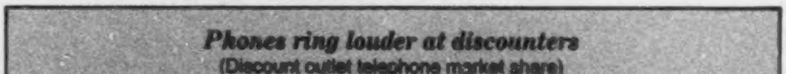
Amid the uncertainties of the telephone marketplace stands at least one fact: Discount stores are picking up market share. In the March MarkeTrends survey, 24.6% of households polled report buying their last phone at a discount outlet.

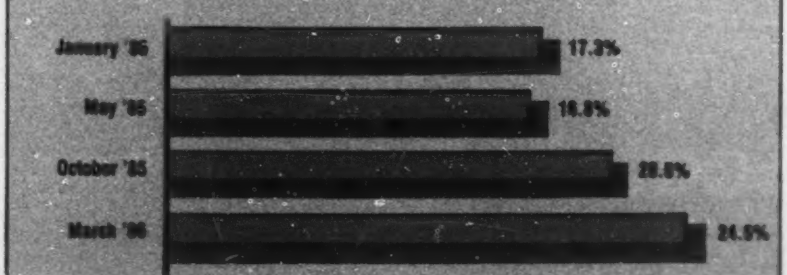
Discount stores are now the second outlet of choice, falling behind only telephone specialty stores which garner a 31.4% share, according to the study. The gain recorded for discount stores represents a 42% jump over the 14 month period.

Not surprisingly, as consumers shop discount stores with greater frequency, what they expect to pay for a telephone has dropped. In the most recent poll, those who intend to buy a phone in the next 12 months say they expect to pay a median $40. This compares to the $50 they expected to pay in the May 1985 survey.

Consumers in the MarkeTrends study report buying AT&T telephones with the greatest frequency. About half (51.1%) say the last phone they bought was from AT&T. Following in market share are G.E. (8.5%), store brands (5.7%), Cobra (5.1%) and Conair (5.1%).

Given its broad distribution and the consumer's penchant for buying from AT&T, convenience of location takes on greater importance in determining where consumers shop for telephones. Consumers in the current study rank location as more important than even quality in choosing where they will buy a phone. ☐





Beta share drops 56% in 10 months

Beta's death knell came when Sony introduced its first 8mm camcorder in May 1985. Though the electronics giant waged a valiant autumn promotional campaign touting Beta as the videophile's VCR, the effort has flopped.

According to MarkeTrends research, the number of households which report having bought a Beta video recorder has dropped 56% since Sony's 8mm debut last spring. In May, 9.3% of those surveyed said that they had purchased a Beta VCR within the previous year. In this month's poll, only 4.1% report having bought Sony's format.

What brand VCR did you buy?

RCA	17.2%
Panasonic	17.2
Zenith	7.8
Sharp	6.9
Fisher	6.0
Hitachi	6.0
Sony	5.2
Sanyo	5.2
Store brand	5.2
Magnavox	3.4
Mitsubishi	2.6
Other	17.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The magnitude of Sony's marketing missteps are evident when the number of households which say they expect to buy a Sony video cassette recorder (12.5%) is compared to the meager 5.2% which actually have bought Sony.

Historically, consumers in the MarkeTrends survey have revealed themselves as unknowledgeable about which vendor supplies Beta and which supplies VHS. The 7.3% of the VCR market which Sony could capture but does not can be attributed to the customer's realization that Sony offers only Beta.

The seeds for Beta's decline, of course, were planted well before the introduction of 8mm. In the May 1985 survey, 80% of those who already owned a Beta system said that they would buy VHS the next time around. ☐

Fire a buyer, hire a seller

Stanley Marcus, chairman emeritus of the Dallas-based specialty store which bears his name, said it best: "Fire a buyer, and hire a seller. . . . If a buyer got diptheria, the store wouldn't close. That would provide room in the budget: *Hire a seller.*"

What prompted Marcus' imperative in a recent issue of *International Trends in Retailing*, an Arthur Anderson & Co. publication, was not a hatred of buyers, but an exasperation with changee in the buying function which have resulted in near uniformly poor levels of service in retail outlets.

Buyers, Marcus says, have become so concerned with the procurement part of their job that the distribution half—the selling part of the job—has been left to wither due to the lack of management oversight.

"All the great retailing companies were founded by merchants who were interested in buying and selling," Marcus says. "They recognized that if you keep the relationship between buying and selling close, you have better buying and better selling. That's the key to it. The problem today is that buying and selling functions have drifted far apart."

On the selling floor, Marcus says, the result is a cadre of order takers, not sellers, and a staff which has been well trained, but which has never been educated about either the products they are supposed to sell or how they are supposed to sell them.

Marcus' words sound harsh, and they are supposed to. With service as this year's latest retailing fad, it may take a little yelling to remind the industry that retail organizations should be sales driven and service is only one means to that goal.

In an effort to improve service, The Broadway Southern California has begun to put more sales associates on the floor and to make every sales associate a commissioned employee. The moves are welcome news to any customer who has ever waited for a salesman who was both too busy and too uninterested to make a sale.

Marcus brings a more creative solution to the problem. Buying departments must rejoin selling departments. Merchandise managers and buyers, locked up in meetings behind closed doors—or worse, traveling in the Orient—are too isolated from the selling floor to exercise true management control.

In theory, department managers are supposed to fill this function, but in reality (through no fault of their own) they are too busy with paperwork to do the job. Marcus suggests the creation of selling supervisors to integrate buying and selling functions in the stores.

"Times have changed," he says, "and I'm not sure floor walkers fit in today's stores, but we need selling managers nonetheless. A selling manager is different from a sales manager. A sales manager plans promotions and so forth. A selling manager supervises the quality of selling in the stores. The store needs a floor manager with the time and the responsibility to supervise sales."

With every operational expense under intense scrutiny, how would Marcus fit selling supervisors into an already cramped budget? His answer: "If you have to fire somebody to be able to afford a selling supervisor, fire a buyer—a vice president of merchandising or someone. Hire a seller."

—*Rick Gallagher*

Consumers need a nudge to spend

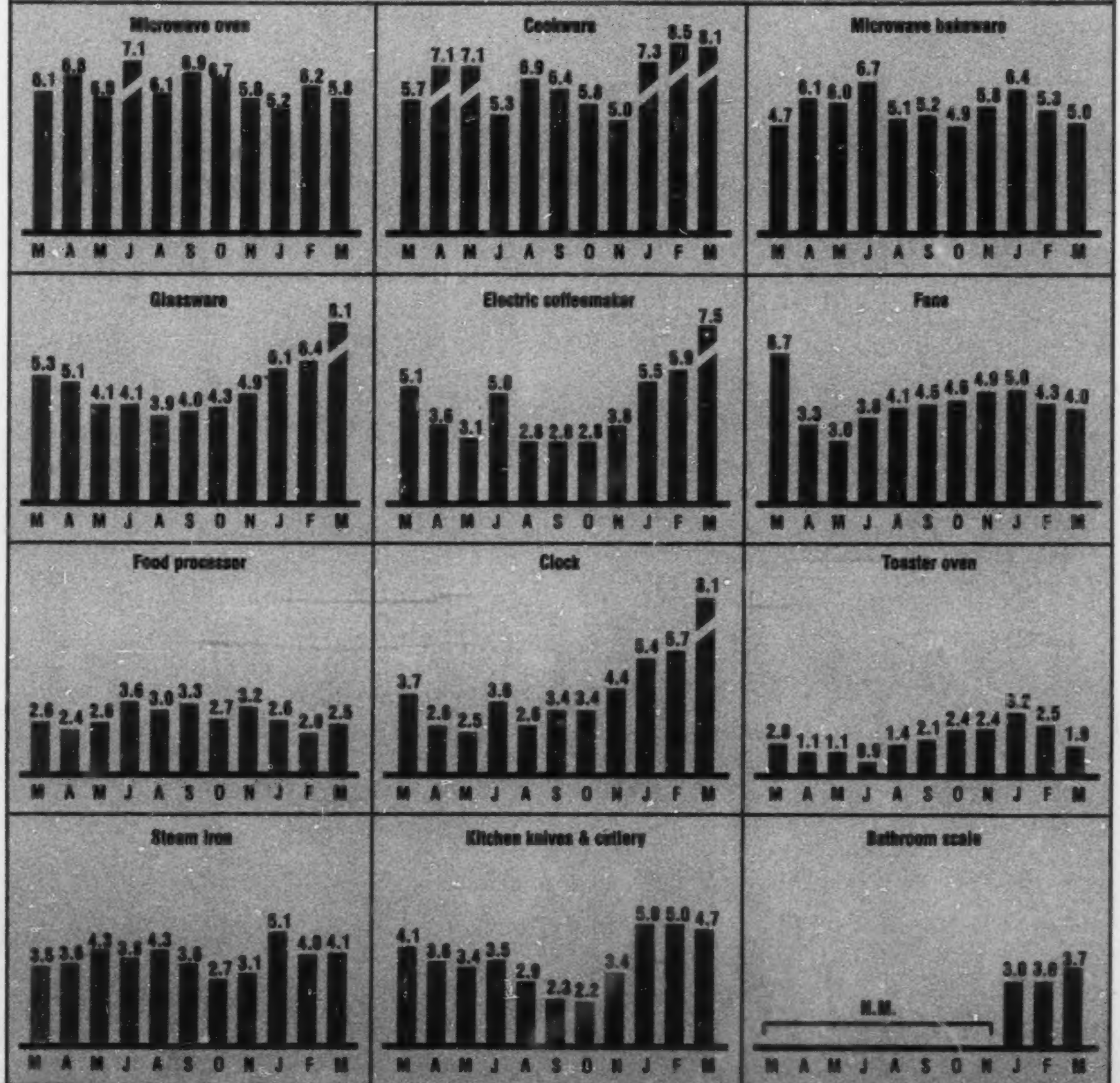
Consumers have shown that they continue to have a high level of interest in all 12 categories tracked by MarkeTrends, but they have also demonstrated that they won't part with their shopping dollars without an extra nudge that a price promotion or product improvement can provide.

Buying intentions are equally divided between the categories, with six showing increases and six registering declines. The strongest movements, either up or down, are improvements, with three categories showing major gains: cofeemakers, glassware and clocks.

Of the six product categories in which consumer intent to buy declined, three are in categories that posted an unusual increase last month that was difficult to match this month. Interest in microwave ovens, cookware, and kitchen knives and cutlery remain as high or higher than late last year, but not high enough to match strong showings for early 1986.

A majority of the 12 key products that MarkeTrends tracks continue to reflect a healthy interest on the part of consumers. But price promotion may be the only way to loosen the consumer's purse strings. ☐

1985-86 Consumer Buying Intentions†*



*% of households might buy   N.M. = Not Measured   †July and December 1985 not measured   Source: Chain Store Age/Leo J. Shapiro & Associates

Microwaves getting smaller and colorful

Microwave prices continue to drop *due to price promotions and new models.*

Seven out of 10 people, 68.8%, who bought a microwave during the past year based their decision solely on price. As prices continue to drop under $300 for microwaves, consumers are showing they are unwilling to settle for less by paying more.

MarkeTrends shows demand for microwaves has been in a cycle of minor gains and slips in consumer buying intentions since midsummer, with price promotions and new products like the Little Litton probably generating some of the sales peaks.

Through their purchases, consumers have established the pricing pattern that will work best until more sophisticated, feature-packed units at higher price points begin attracting the attention of microwave owners getting back into the market for a replacement.

There is little demand for a microwave oven above the $499 price point, and more than half of the consumers who bought a microwave during the past year say they spent between $200 and $399.

How much did you pay for your microwave?

$100-$124	2.1%
$125-$149	6.4
$150-$199	8.5
$200-$299	25.5
$300-$399	29.8
$400-$499	17.0
$500-$2,000	4.3
Other	6.4

Source: *Chain Store Age/Leo J. Shapiro & Associates*

The current direction for microwaves is toward smaller units that stress convenience and styling—and sell for under $200.

Litton and Sharp both offer small, lower-priced microwaves, but Sharp's newest move is toward colors. Beginning in the spring, the manufacturer will begin shipping its Half Pints with the trendy Miami Vice look—pastel blue, pastel yellow, pastel pink, white with pink accents, and wine red. Suggested retail for these 13-in. units is $149.

Anne Howard, marketing services manager for Sharp's appliance division, says that much of the company's confidence in the new microwave line is based on the strong sales the company generated for its boom boxes when they were offered in seven colors. ☐

Cookware market sizzles with diversity

Consumers are sharply divided between those willing to spend up to $99 for cookware and those who prefer to limit their spending to $10 and under.

This month's MarkeTrends survey shows consumers have clear-cut preferences in cookware when it comes to price, brand, and choice of store. For example, 1 out of 4 consumers who say they might buy cookware expect to pay between $36 and $50, and 1 out of 5 did, in fact, spend that amount.

The survey also points out that many consumers are not aware that they can find the cookware they want for $10 or less. Only a handful of consumers, less than 6%, say they expect to pay $10 or less for cookware. But when they get into the stores, nearly 1 in 3 find what they want for $10 or less and they buy it.

The pattern of responses shows that shoppers come in and out of the market and don't necessarily keep abreast of products and prices when not actively shopping.

Based on the purchases consumers reported in the survey, the buying trend is weighted toward the $36 to $99 price range, but there is also activity at the lowest price points. And with good reason. Regal Ware and Mirro fry pans with SilverStone, for example, are available in 12-in., 10-in. and 8½-in. sizes for less than $9.

Survey responses indicate support for both nonstick and regular surfaces, and shopper interest in buying individual pieces of cookware as well as sets—another indication of the diversity in the cookware marketplace.

There is nothing subtle or illusive about brand preferences. Shoppers want SilverStone and Revere Ware. The two names account for 29% of all "brands" mentioned by consumers who bought cookware during the past year. Corning accounts for 12.7% of purchases, Regal for 10.9%, and Wear-Ever, Mirro and Teflon "brands" each account for 5.5% of customer purchases of those surveyed. ☐

Where did you last buy cookware?

K mart	8.0%
Other discount stores	23.0
Sears	5.3
Penney	1.8
Ward	3.5
Department store	23.9
Catalog showroom	5.3
Product specialty store	7.1
Grocery store	3.5
Appliance store	4.4
Other	14.2

Source: *Chain Store Age/Leo J. Shapiro & Associates*

Coffeemaker sales perk up nicely

Rebate programs by manufacturers and promotional pricing by many retailers have boosted consumer interest in electric coffeemakers higher than it has been during the 15 months MarkeTrends has tracked the category.

Consumer perceptions of lower prices and better deals on coffeemakers with more features and styling are driving the market toward stronger sales. However, this spate of increased buying is certain to be short-lived and will serve to reinforce the point that the vast majority of consumers, 88.1%, like the coffeemaker they already own and won't buy another without good reason.

Vendor rebates and store promotions have quickly changed consumer expectations on coffeemaker prices. During 1985 the median price shoppers expected to pay for a coffeemaker was $33. Almost overnight, the median price has dropped to $30.

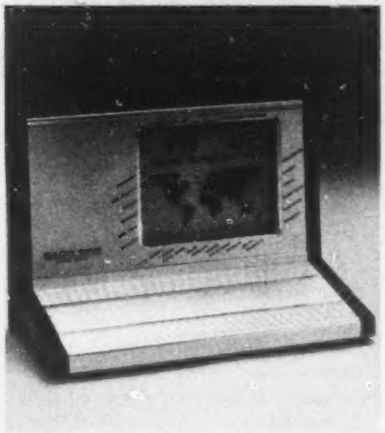
Lower prices are also changing consumer preferences for the kind of store in which they wish to shop for a coffeemaker. Department stores have made major gains as the result of their price promotions, but K mart and other discount stores still account for more than 40% of coffeemaker sales. ☐

What brand of coffeemaker did you buy?

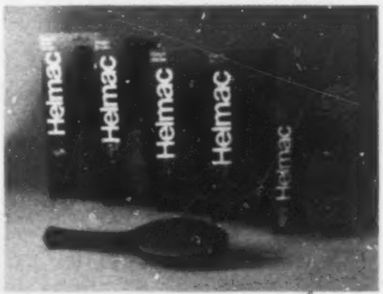
Mr. Coffee	22.7%
G.E. (now Black & Decker)	22.7%
Norelco	16.5%
Proctor Silex	9.3%
Krupp	4.1%
Farberware	3.1%
Regal	3.1%
West Bend	2.1%
Braun	2.1%
Sunbeam	1.0%
Hamilton Beach	1.0%
Dazey	1.0%
Black & Decker	1.0%
Other	10.3%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

An international time traveler clock is available from the Bulova Watch Company. This high-tech, dual mode Quartz calendar clock converts from local time anywhere in the world at the touch of a button. In its local time mode, it displays the hour, minutes, month, day and date. It features a 24-hour alarm, and a calendar with a 20-year span. *(Bulova Watch Company Inc., Bulova Park, Flushing, N.Y. 11370.)*



Helmac Products Corp. of France, has enhanced the appeal of their line of Magik Brushes with new, bold modern packaging designed for today's fashion conscious consumers. Helmac's Magik Brush line includes: 2-Sided Magik Brush; 2-in-1 Magik Brush; Traveler Magik Brush; and the Auto Magik Brush. All Helmac products deep clean and effectively remove dust, lint, dandruff, pet hair and foreign particles from clothing and upholstery. *(Helmac Products Corp., P.O. Box 73, Flint, Mich. 48501.)*



A new survival kit comes to the dieter's rescue. Laugh off the pounds with such hilarious accessories as a magnifying glass for detecting cellulite, a mirror that is guaranteed to be slimming, a Dieter's Delight tape measure, and a bumper sticker which reads "Caution: Starving Dieter." All nine pieces are packaged in a clever gift tote, with a suggested retail price of $7.50. *(Papel Inc., 7355 Lankershim Blvd., P.O. Box 9879, North Hollywood, Calif. 91609.)*

diet
CAUTION:
Starving Dieter

Airwick Industries Introduces Magic Mushroom, a new generation of room air freshener that out performs all other nonaerosol products and combines an attractive mushroom-shaped package with a fragrance delivery system. Magic Mushroom lasts longer—it works for up to five full weeks. Airwick plans a super promotional package to go along with the product for 1986. *(Airwick Industries Inc., 111 Commerce Road., Carlstadt, N.J. 07072.)*

magic mushroom

sprockets and ginghams are 180-count, 50% cotton and sell for $19.99 for a four-piece full-sized set.

Eyelet lace white sheets of 180 threads and 35% cotton are priced at $34.99 for a full-sized set.

With that sort of upscaling under way, manufacturers apparently see no need to hurry discounters into 200s. "We are pitching 100% cotton 180s to discounters," says Mary Stafford, a vice president for Fieldcrest. "We are gaining some stores, but it's slow."

Risa Calmenson, publicity manager for Martex, makers of Lady Pepperell for the discount business, says, "I don't see it [200s] going to discount stores, but that doesn't mean it won't."

A spokesman for Burlington is concise in her prediction on the chances 200s will make a big splash soon in discount chains: "Probably not." She goes on to say that, "If they were going to go there, they would already have done it."

Some retailers have complained that no manufacturer offers a good 200-thread program for discounters. But, plenty of other avenues remain open for discounters who want to trade up, says Seidman.

"The pursuit of the labels is a challenge for discounters," he says, noting that such brands as Martex and Fieldcrest have broadened their distribution too much to justify keeping their names out of discount stores. "Business is so stagnent that mills should expand into discounters," he says.

According to Seidman, last year's sales of 30 million dozen sheets is below the levels achieved in the 1960's, despite population growth. Sales could plummet even father. "1986 looks like an extremely difficult year in terms of increasing prices," he says.

Seidman blames both the manufacturers and retailers. "The mills are just making versions of what they've made before," he says. "The buyers are selecting such ordinary, dull stuff."

He also faults discounters for imitating each other rather than getting to know the customers. "Target looks at Venture, Bradlees looks at Caldor."

These errors could result in decisions to shrink the category rather than trade up the customers. "They'll come to the conclusion that the department should be smaller, but it's really their own fault." ☐

Where's the buying? In blankets

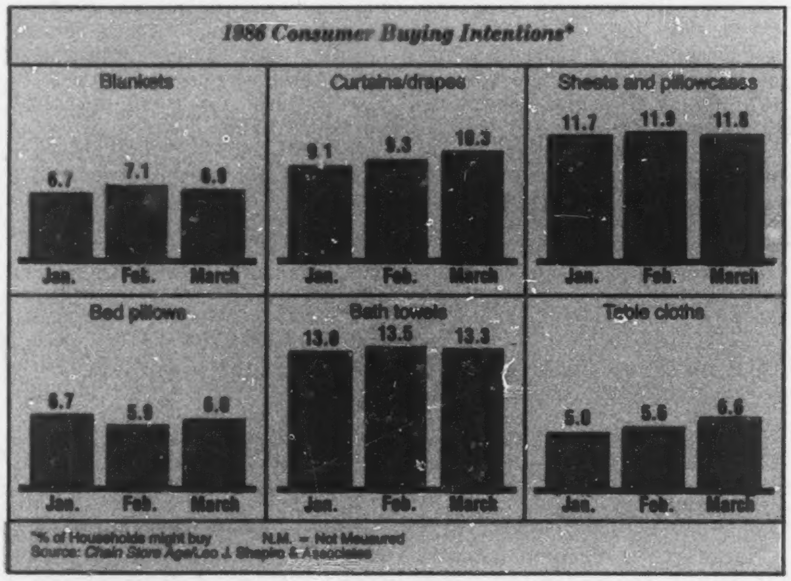
Blankets and curtains/drapes remain the hottest of home textiles products tracked by MarkeTrends. For the past three months the number of people saying they plan to buy these products has nearly equaled all of those who bought last year. Since intention-to-buy normally runs at just half of actual purchases, the latest data suggests demand for blankets and curtains/drapes in the next several months will be significantly ahead of last year.

Nearly 7% of households surveyed say they plan to buy a blanket in the next 12 months, compared with 8.7% who bought last year. At the same time, 10.3% of households are in the market for curtains or drapes, compared with 11.9% who bought last year.

Bed pillows, meanwhile, are still among the most problematic of products tracked by *CSA*. Only 6% of households are in the market for pillows in the next 12 months, compared with 15% who say they bought last year.

The most active classification is sheets and pillowcases. More than one-third of the 11.8% of households which plan to buy in the next year are now out shopping for sheets and pillowcases. The active market consists of 4.1% of those surveyed. By comparison, although 6% of households say they will buy bed pillows in the next year, just 1% are now shopping for them. ☐

*1986 Consumer Buying Intentions**



*% of Households might buy N.M. = Not Measured
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Towels: how price sensitive?

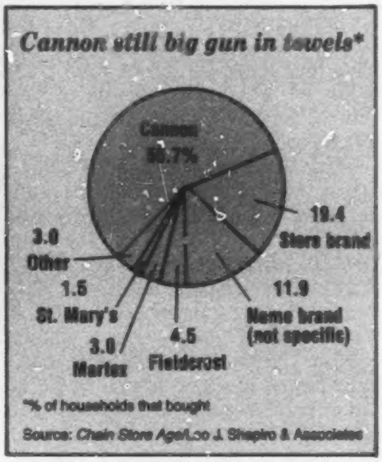
When it comes to towels, home textiles merchandisers may be giving customers what they are not asking for.

Towels, especially solids which make up the bulk of sales, have become so highly promotional that most buyers concede profits are difficult. But are the razor sharp margins something customers demand? Or is this just another case of retailers "one-upping" themselves until they have squeezed all of the profits out of a classification?

Current *Chain Store Age* MarkeTrends research suggests shoppers are not excessively price sensitive when they set out to buy towels. Less than half of those who intend to buy towels in the next 12 months say price will be the most important consideration. That makes price only as important in the buying decision for towels as it is for the five other home textiles products tracked by MarkeTrends.

But, by the time consumers get into stores and purchase a towel,

Nearly 34% of towel buyers made their purchases in discount dept. stores.



*Cannon still big gun in towels**

*% of households that bought

Source: *Chain Store Age*/Leo J. Shapiro & Associates

they have become much more price-sensitive, according to *CSA* research. More than 62% of those who have actually bought towels in the past year say that price was the most important factor in their buying decision.

What are consumers willing to give up when they make price a more important part of the buying decision? MarkeTrends research suggests shoppers are most willing to compromise on quality. Although nearly one-quarter of those who might buy in the next year say quality is the most important element in deciding what to buy, of those who have purchased a towel recently, just 10.3% said quality was most important to them.

Market share for towels remains distributed fairly evenly among discounters, department stores and the Sears, Penney, Ward group. Nearly 34% of those who bought within the last year made their towel purchase at a discount department store; half bought at K mart. Almost 28% purchased at either Sears, Penney or Ward, with Sears controlling 18.5% of the business. And almost 29% say they bought at a department store.

Store preferences among those who say they will buy this year are fairly consistent with market shares of those who purchased in the last 12 months. Only Penney scores significantly differently among the two groups. Only 6.4% of those who did buy say they went to Penney, but 14% of those who plan to buy name Penney as their outlet of choice. ☐

No down can drive down pillow sales

Are discount stores missing a big opportunity because they continue to weigh their pillow assortments heavily toward synthetic fills?

MarkeTrends research suggests discounters are not doing a good enough job of converting the share of mind they have among customers into share of market. One reason may be because consumers are turning rapidly toward all-natural down pillows. In the current MarkeTrends research, in fact, 35% of those who plan to buy a pillow say they want natural fill. But the typical discount store mix still runs about 80% to 90% in favor of synthetic fills.

Discounters are clearly having trouble converting prospective customers into shoppers. While 37% of those who say they want to buy pillows plan to go to a discount store, only 28% of those who actually have bought pillows in the past year did so at a discounter.

Who is picking up this lost share? Research suggests J. C. Penney is getting some of that business as a result of its own upgrading. As early as last winter Penney moved to a 45% natural/55% synthetic offering in many stores.

Nearly 15% of those who have bought pillows in the last year say they went to Penney. That compares with just 6.2% who say they would buy at Penney.

Department stores are winners in the pillow wars. While 26.5% say they might buy at department stores, 30% actually did.

Unlike many categories, where consumers generally lower their price expectations once they start shopping for an item, shoppers have a clear idea how much they need to spend to get the pillows they want. Those who have purchased pillows in the past year say they spent an average of $21. Those who plan to buy in the next 12 months intend to spend $22.

Nearly 20% of those who intend to buy say they will spend more than $36 on towels. Only 15% of those who have bought said they paid $36 or more. Of those who did buy, 42% spent less than $10, while 53% of those who intend to purchase say they want to spend less than $10. ☐

Why shoppers might/did choose a store to buy pillows

	Might buy	Did buy
Price	55.7%	51.4%
Selection	16.4	13.5
Quality	14.8	10.8
Satisfaction	3.3	4.1
Location/ Convenience	8.2	12.2
Other	1.6	8.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Autofocus: good, getting better

The autofocus camera has quickly become the most popular camera format in America. Its popularity is likely to continue growing, according to a special study of the camera market by *Chain Store Age* and Leo J. Shapiro & Associates.

The study compared consumer interest in owning autofocus cameras to interest in purchasing three other types of cameras: single lens-reflex, instants and the disc. Nearly 25% of those surveyed showed a great deal of interest in purchasing a 35mm autofocus camera. Moreover, the number of consumers who said they had no interest in the autofocus—46.9% of those surveyed—was far lower than the base of consumers who expressed no interest in buying the three other types of cameras.

On a scale of 1 to 9, with 9 being very interested, the autofocus achieved a mean rating of 3.94. That was more than a point better than the interest rating for SLRs (2.93), instants (2.45) and the disc (2.39).

While less than half of the respondents said they had no interest in owning an autofocus, 63% had no intention of purchasing an SLR, 68.4% a disc and 65.4% an instant.

Of the four types of cameras, the autofocus showed the most strength relative to last year's sales. Exactly 2% said they bought an autofocus last year, and 1.5% say they are in the market for one this year. Generally intention-to-buy runs only half of actual purchases in such studies. A higher relationship generally means sales will be strong.

Which kind of camera is suffering most from the popularity of the autofocus? The survey suggests it is the disc. While 2.3% say they bought a disc last year, just 0.4% are now in the market for one. Of the 36 products in four broad classifications tracked regularly by *CSA*, the disc's ranking is the lowest intention-to-buy figure.

Although the success of the autofocus has also hurt sales of SLRs over the last few years, that trend may now be abating. Nearly 1% of those surveyed plan to buy an SLR. While that is a small number, it compares favorably to the 1.5% which say they bought one last year.

The study also shows how quickly autofocus cameras have become mass market items. In mid-1984, when the autofocus was relatively new and price points were considerably higher, 20% of those who planned to buy an autofocus said they would go to a department store for it. Back then, camera specialty stores were the outlet of choice of nearly 50% of those who intended to buy an autofocus camera.

In the recent *CSA* study, nearly one-quarter of shoppers say they would purchase an autofocus camera at a discount store. Only 10% mention a department store as their outlet of choice, while 35% name a specialty store.

The study demonstrates how well discount stores have moved into the vacuum created by department stores in the SLR business. Slightly more than a quarter of those who might buy a SLR say they will go to a discount store for it. Two years ago, only 13.2% of potential shoppers planned to buy a SLR at a discount store.

One reason for the boost in market share is the growth of K mart as an important force in the sale of better cameras. K mart over the past two years has beefed up its selection and tested higher price points with success. In the *CSA* study two years ago, just 2.3% of those surveyed mentioned K mart as the place they might go to buy a SLR. In the most recent study, 11% said they [illegible] sidering K mart as the plac[illegible] vill buy a SLR in the coming year.

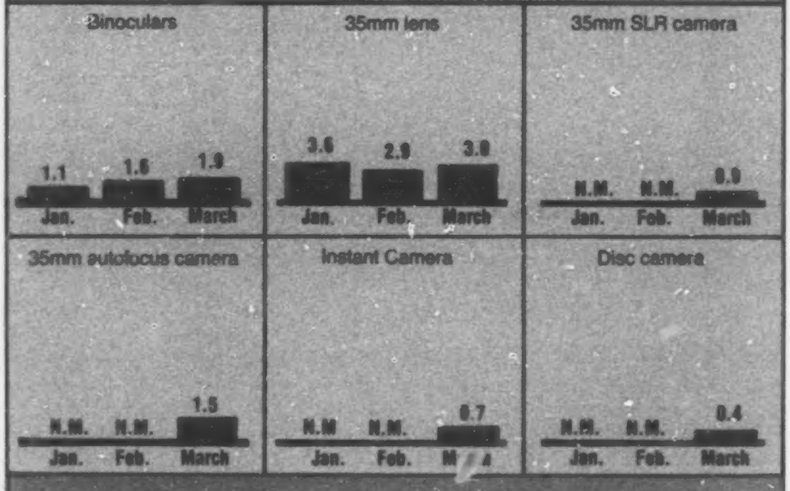
Most of that business is centered in discount stores. Nearly 40% of those who plan to purchase will likely go to a discount store, while 13.7% will visit a catalog showroom and 9.4% a department store. Drug stores only get mentioned by 3.7% of those who may buy.

Consumer interest in instant cameras has dropped dramatically since the summer of 1984 when *CSA* did its last important study of camera buying intentions. At that time, 7.7% of consumers said they had bought an instant camera in the previous 12 months, while just 1.6% were in the market for one in the next 12 months. In the current survey, only 0.7% say they are looking to buy an instant camera.

Discount stores are clear winners in the market share battle for disc cameras. More than 37% of consumers say they would go to a discount store for a disc with about half of that number mentioning K mart as the outlet of choice. Product specialty stores garnered 17.9% of mentions as the outlet of choice for disc cameras, while catalog showrooms are outlets selected by 13.5% of those rated as potential buyers.

Slightly more than 40% of those surveyed said they want to spend between $25 and $50 for a disc camera, while 32.2% said they intend to pay anywhere from $51 to $75 if they buy a disc. ☐

1986 Consumer Buying Intentions*



Source: Chain Store Age/Leo J. Shapiro & Associates

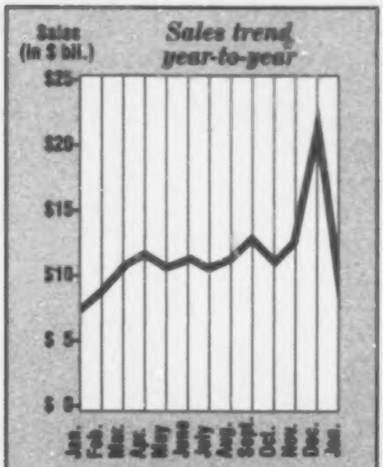
*% of households that might buy

Silver linings in dark sales clouds

Hampered by high debt levels, consumers spent frugally in January. Total sales for 25 retailers tracked by *Chain Store Age* grew just 5.1% during the month.

Some retailers were quick to point out, however, that flat sales were due at least in part to a shorter reporting period in this year. On a comparable basis with last year's reporting period, sales gains were generally modest.

With the lesson of Christmas, 1984, fresh in everyone's minds, retailers were better prepared for the sales slowdown that occurred after this holiday season. Many chains reported that despite soft sales, gross margins did not suffer and earnings should not be off greatly.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

"Much better controls were maintained this year and it was unnecessary to liquidate inventories through excessive markdowns," said K mart chairman Ben Fauber.

Sales in K mart stores decreased 1.7% even as total corporate sales increased 1.5% because of gains in specialty stores. Despite the comparable store sales decrease in K mart units, Fauber was optimistic about the chain's performance because of a 5.8% rise in apparel sales. That gain reflected "the merchandising improvements being made in that division."

Specialty stores also helped drive sales of F. W. Woolworth. "Business was particularly strong in Kinney's Foot Locker and Lady Foot Locker units and exceeded expectations in U.S. Woolworth stores," said chairman John Lynn.

Domestic sales for Woolworth increased 6.4%.

Other retailers were less pleased with their results. Sears attributed 0.2% rise in sales to average temperatures which were 17° above those recorded last year across the nation. That warmer weather hurt Sears apparel sales, the company said.

At Dayton Hudson a 12% decrease in department stores sales kept total corporate volume growing at only a 13% rate over last year. Target's sales bounded ahead 17% in the period, while Mervyn's were ahead 20%.

Sales Modest For Short Month

		Jan. Sales*		Stores		12-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,4]	− 0.4	1,549,400	1,554,800	799	871	25,371,100	25,260,700	+ 0.4
Penney[1]	+ 3.5	683,000	660,000	1,911	1,994	12,648,000	12,359,000	+ 2.3
Ward[1,4]	− 6.5	237,800	251,900	314	366	4,338,700	4,461,200	− 2.7
Federated[1,6]	− 13.0	449,800	515,900	485	463	8,148,400	7,812,100	+ 4.3
Dayton Hudson	+ 13.0	488,200	433,400	1,208	1,137	8,581,000	7,671,000	+ 12.0
May Dept. Stores	+ 9.0	259,100	237,700	2,074	1,853	5,021,600	4,582,200	+ 9.5
R. H. Macy	− 13.0	201,200	232,200	83	96	4,487,400	4,248,600	+ 5.6
Allied Stores	+ 7.2	208,500	194,500	664	597	4,135,400	3,930,300	+ 5.2
Carter Hawley Hale[6]	+ 7.4	224,100	20[illegible],700	299	268	3,980,000	3,680,000	+ 8.1
Associated Dry Goods	− 12.0	222,900	253,700	N/A	N/A	4,321,000	4,003,000	+ 7.9
Mercantile	+ 16.0	96,000	83,100	80	79	1,878,300	1,706,900	+ 10.0
K mart[5]	+ 5.3	1,200,100	1,139,200	2,180	2,173	21,533,100	20,102,300	+ 7.1
Woolworth	+ 4.8	210,000	201,000	N/A	N/A	3,668,000	3,448,000	+ 6.4
Wal-Mart	+ 43.0	606,000	425,000	862	756	8,450,000	6,401,000	+ 32.0
Household Merch.[2,3,5]	− 16.6	22,193	26,605	N/A	3,633	523,146	475,406	+ 10.0
Zayre[1]	+ 16.0	171,100	147,100	987	847	3,792,000	3,125,400	+ 21.0
Bradlees	+ 3.0	81,000	79,000	158	132	1,618,000	1,404,000	+ 15.0
Ames	+ 127.0	78,500	34,600	450	383	1,499,600	811,200	+ 85.0
Rose's	− 0.8	50,501	50,892	204	193	1,009,233	927,395	+ 4.3
Heck's	+ 22.8	29,100	23,700	165	125	530,500	465,700	+ 13.9
Jamesway	− 17.0	22,193	26,605	91	85	523,146	475,406	+ 10.0
Melville[1]	+ 6.8	236,800	221,600	5,569	5,370	813,124	693,339	+ 17.2
Tandy	+ 13.0	268,240	235,678	N/A	N/A	3,146,691	2,776,080	+ 13.4
Edison Bros.	+ 13.9	55,600	48,800	N/A	N/A	801,900	770,200	+ 4.1
The Gap	+ 36.4	43,500	31,900	611	624	671,900	527,500	+ 27.4
Total & Averages	+ 5.1	7,694,827	7,317,480			131,497,240	120,723,926	+ 8.9

*000 omitted. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 337 Zayre stores. [3] Excludes supermarket sales. [4] Includes results from Sears Canada. [5] Store count is for K mart stores only. [6] Continuing operations only. [7] Domestic operations only.

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Housewares: conflicting consumer signals

Chain Store Age
GENERAL MERCHANDISE TRENDS APRIL 1986

PACKAGE TOURS

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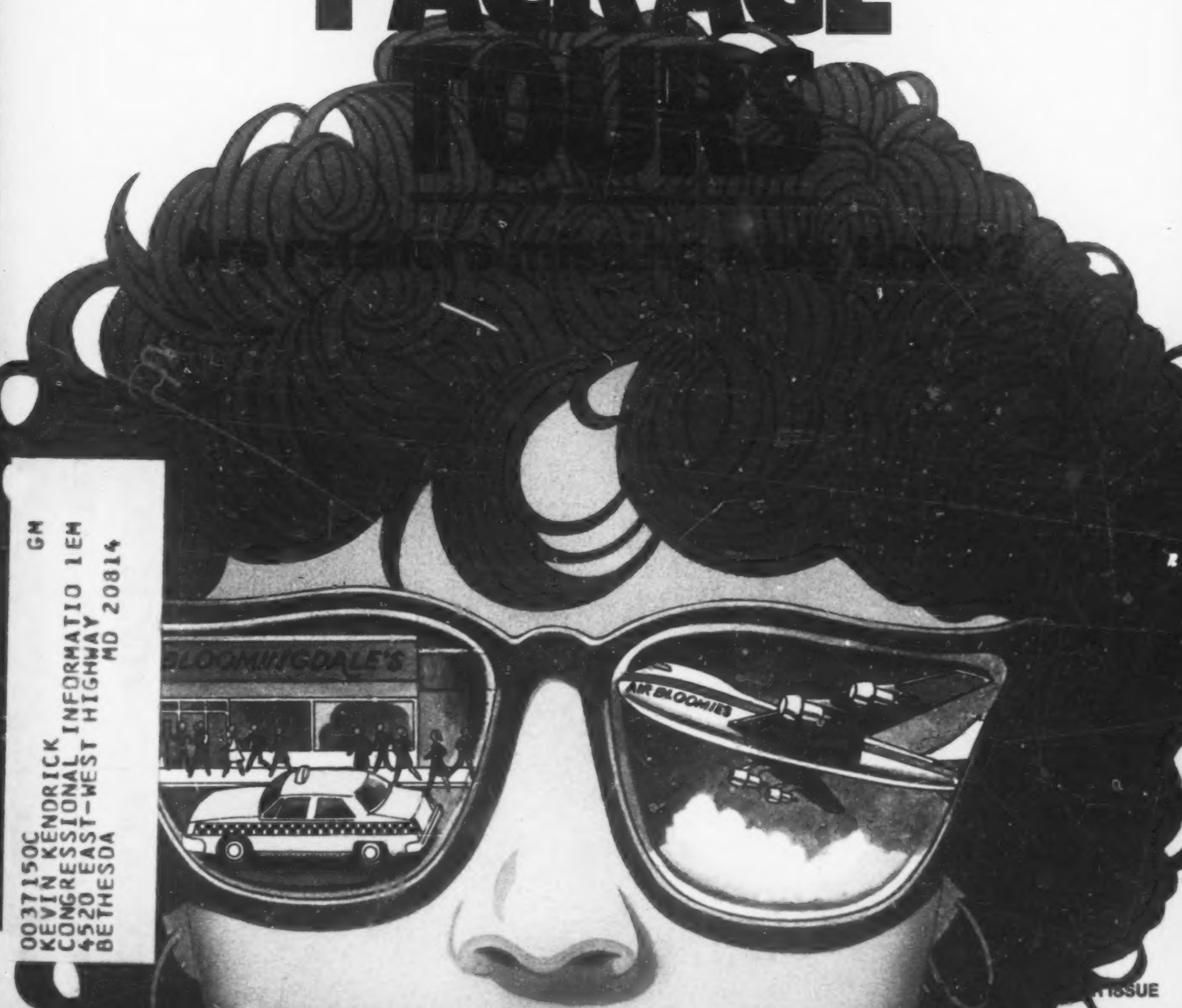

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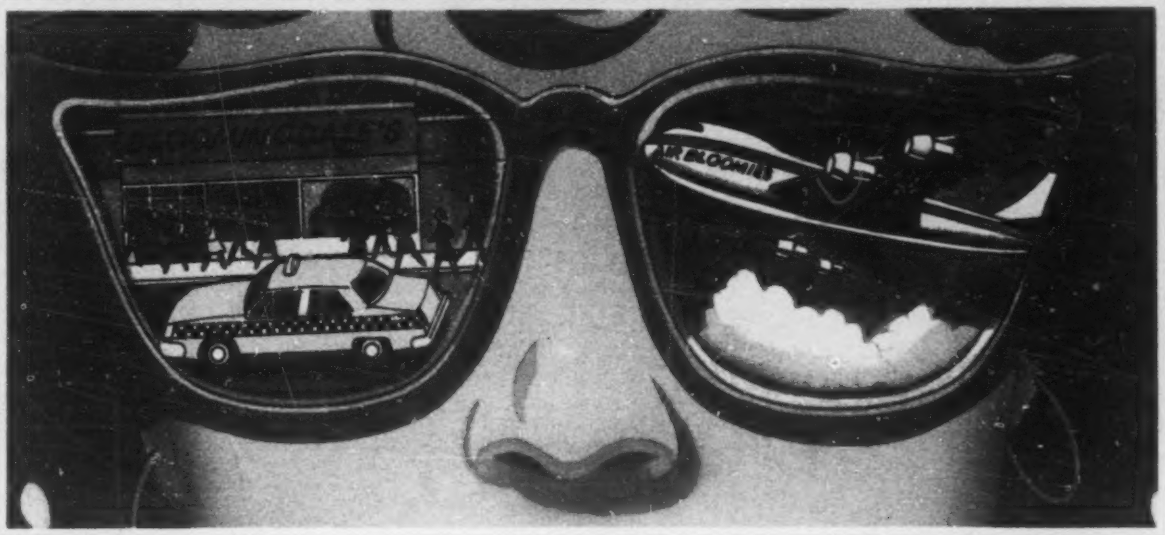

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that it was "highly profitable."

Likewise, Harrods judged its "Come to London" strategy a success because of shopper interviews seen on television.

Some chains, including Rich's, believe that out-of-town demand has already been satiated through the opening of branch stores. That is even the feeling at Cohoes, an Albany off-pricer that was an early pioneer of the current busing boom. "We stopped the buses from areas where we now have branches," explains spokesman Judith Barnes. But no store can be in every town. Community groups in locales not yet blessed with Cohoes still charter buses for a trip to their nearest branch, and Cohoes staff still helps them do it.

Not every retailer can compete with Niagara Falls, of course. Even Professor Shock, designer of the Georgia shopping-tourism study, thinks a travel program will work best in a convention or resort area. Shock believes that travelers—particularly female travelers—shop because of the "nesting instinct," wanting to pick things up and bring them home.

Berg of Rich's is not convinced that the selection extends beyond travel curios. "They certainly don't buy home furnishings," she says of the average tourist. Yet Vi Levkoff of New York Knowhow, a customized tour company, notes, "We've had some good shoppers buy things for the home. Foreigners love our cotton domestic goods."

Everyone is, justly enough, concerned about targeting upscale shoppers. But if tour operators have managed to do it by combing convention schedules, so can retailers. And an air/shopping package might naturally sort the upscale out. For retailers hunting market share, there may be pie in the sky. ☐

Dept. store shopper not distinctive

As discount stores upscale and department stores get more promotional, customer loyalty is fading.

There was a time when department stores considered their target customers so distinctive that they were given women's names to serve as a kind of verbal shorthand for a variety of demographic characteristics.

Regardless of which store did the naming or what name she was called, the target department store customer always shared a number of similarities. Invariably, she was young (usually between 25- and 40-years-old), fashion forward, better educated than the norm and enjoyed a higher family income.

Some department stores still give their target customer a particular female name and think her uniquely different from the customer at the discount store or from the shopper at Sears or J. C. Penney down the street. The only problem is that the once distinctive department store customer is a thing of the past.

According to the *Chain Store Age*/Leo J. Shapiro & Associates five-market study, the demographic profile for the department store shopper is distinctive only in its similarity to those of discount outlets or of Sears, Penney and Ward customers.

In fact, where differences do occur in the study, it is discount stores which are doing a slightly better job at attracting younger women shoppers with higher incomes from white collar, two-income families with children (see chart).

The reality of the current retailing landscape, according to the study, is that shoppers who once bought only at department stores are now shopping every class of retailer. Conversely, the discount store shopper is now also a department store customer.

As discount stores the likes of Target and Bradlees have continued efforts to upscale, and as more department stores have accepted lower margins to generate higher volume, distinctions among merchandise, price and, as the study shows, customer bases have blurred.

Two classes of retailing, however, still nearly exclusively attract the former department store customer base: off-pricers and specialty apparel outlets. The off-price customer and the specialty apparel shoppers are the best educated, the wealthiest and the youngest in the study (see chart). ☐

Who shops where: No longer a distinctive department store customer

	Mean income	Mean number in household	Mean age	Women	Men	One income family	Two or more income family	Presence of children	White collar	Blue collar	College grad
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Those shopped in last year at . . .											
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41	[illegible]	[illegible]	[illegible]	[illegible]	27	31
Sears	28,900	3.11	40.2	58	42	34	51	46	52	27	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. C. Penney	28,900	3.13	40.1	60	40	34	53	47	55	26	29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
K mart	27,900	3.16	40.2	60	40	36	49	47	49	29	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Specialty apparel	31,600	3.00	36.5	62	38	34	58	43	65	22	42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Factory outlet	30,600	3.23	36.6	58	42	31	60	46	57	28	34

Source: Chain Store Age/Leo J. Shapiro & Associates

IT'S A QUESTION OF PERCEPTION

Many retailers think that presentation and assortment are what a consumer values. According to a special *CSA* report, what he really wants is the best value for his dollar.

When it comes to running specialty stores, everybody wants to be Charles Lazarus. The Federated Group's chairman/ceo Wilfred Schwartz has called the Toys "R" Us chairman his most admired retailer. Radio Shack president Bernard Appel counts him as a friend.

Lazarus' stature among electronics specialty retailers is well deserved. While Toys "R" Us has captured a commanding market share (last year it sold about 1 in 5 toys in the U.S.), none of the electronic specialists has yet turned in a similar performance. Even the largest—Radio Shack—took a relatively modest 8% share last year.

Still, the specialists—especially the superstores—are trying to mimc both Lazarus' merchandising philosophy and, they hope, his success. "The three most important things in retailing," says The Federated Group's Schwartz, sounding very much like Lazarus, "are presentation, presentation and presentation."

Not a single Texan surveyed named The Federated Group for best service.

Yet a recent *Chain Store Age* consumer survey calls into question how crucial are dominance in presentation and broad assortment in the psychological game of convincing customers to shop specific outlets for home electronics.

Instead, the study suggests that convenience of location, the number of stores in a market and the advertising clout which comes with an increased store number are more important in capturing customers.

The conclusions are based upon 1,011 random telephone interviews conducted by Leo J. Shapiro & Associates in December 1985. Approximately 200 interviews in each of five markets—Houston, Boston, St. Louis, Miami and Denver—comprise the core of the study.

The poll is a companion to a February 1985 telephone survey of 1,008 consumers in the Atlanta, Chicago, Dallas, Philadelphia and Los Angeles markets.

Despite the hoopla surrounding electronics specialty stores, consumers in the *CSA* survey rate department stores on an equal footing with the specialists in home electronics. When asked which retailer provides the best value for home electronics, 19.9% of respondents choose a department store, while an exactly equal number choose an electronics specialty outlet (see chart).

For department stores, the rating represents a modest increase in customer approval from the 15.1% rating they received in the earlier poll. For the specialists, however, their ranking is a dramatic drop from the 30.7% who chose them in the survey only 10 months earlier.

Sears' value rating also dropped in the near year between polling. Its rating dropped marginally from 16.8% in the original survey to 13.7% in the current poll. Both J. C. Penney and Montgomery Ward stayed relatively even with 3.1% and 2.5%, respectively.

Discount stores as a group posted gains, rising from 7.5% to 10.4%, as did catalog showrooms, lifting their original 2.5% to 6.7% in the latest survey.

Changes in whom consumers cite as providing the best value for home electronics is paying off in market share. According to separate *CSA* MarkeTrends polling, for 9 out of 12 key consumer electronics products, proportionately fewer customers picked the specialists as the place to shop in 1985 than they did the year before.

In contrast, department stores picked up market share increase for 9 of the same 12 categories, as did discount stores. Catalog showrooms recorded gains for six products in the poll.

According to the five market consumer study, Radio Shack is the only specialist which consistently receives high customer approval as the best value retailer for home electronics. In Denver, Radio Shack ranks first. In the Boston, Miami and Houston markets it ranks third (see chart).

With nearly 6,000 stores nationally, Radio Shack is turning its multiple locations and $200 million in advertising clout into both consumer value perceptions and $2.7 billion in sales. Similarly, Sears, with 800 locations and national advertising is turning those attributes into a first place electronics value rating in Miami and second place finishes in the other four markets studied.

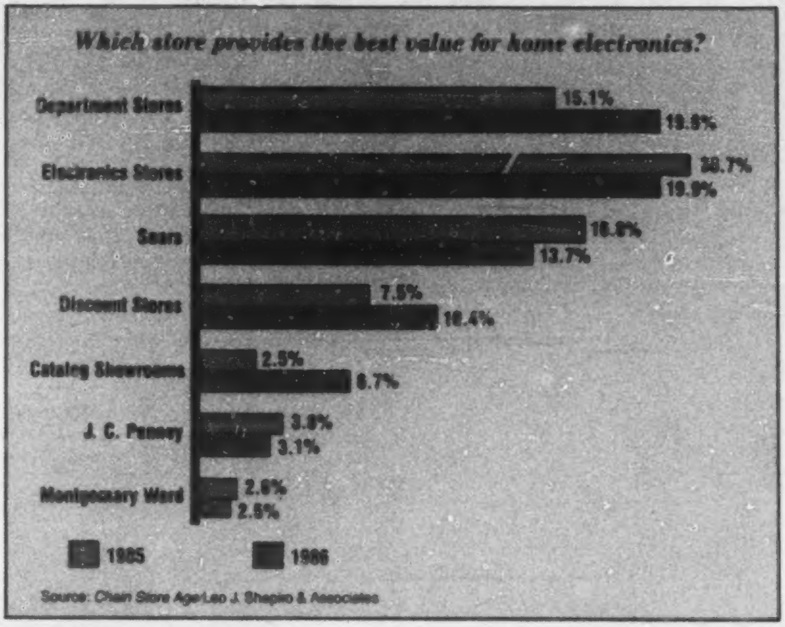
However, the news for Sears is not all good. In the poll conducted 10 months earlier, the ratailing giant placed first in the Chicago, Dallas, Philadelphia and Los Angeles markets, while ranking a close second in Atlanta.

The other winners in the current study are local department stores (Famous-Barr in St. Louis, Burdines in Miami and Foley's in Houston), two discount stores (K mart in St. Louis and Target in Denver) and hard lines specialist Lechmere in Boston.

Myths shattered: Perhaps more interesting than who consumers chose as the best value retailers are those which respondents in the current poll either did not mention at all or mentioned with less than expected frequency.

Though The Federated Group made a much publicized splash into the Houston market, not a single consumer in the Texas survey named the electronics superstore as providing the best value. Similarly, only 7 out of 203 polled in the Denver market named electronics and major appliance superstore operator Silo.

Which store provides the best value for home electronics?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Superstore operators have claimed that they could operate fewer stores in a market at less pricey locations. Certainly, Circuit City's stellar first year performance in Atlanta is proof that the strategy can work.

But the lackluster rating consumers give The Federated Group in Houston and Silo in Denver raises the question as to whether or not this philosophy will prove universally true.

In the earlier poll, The Federated Group scored well in Los Angeles, but that is a market where the retailer has a long history. Highland Appliance also scored well in the earlier Dallas poll, but that rating came on the heels of what was reported to be an expensive effort by the Michigan-based retailer to establish market share.

Customers pick the best value electronics retailers

Boston	
Lechmere	25.3%
Sears	12.1
Radio Shack	8.6
Miami	
Sears	17.8
Burdines	13.9
Radio Shack	8.4
Houston	
Foley's	15.3
Sears	14.4
Radio Shack	10.9
St. Louis	
Famous-Barr	16.5
Sears	13.6
K mart	7.8
Denver	
Radio Shack	11.3
Sears	10.8
Target	10.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

On the other hand, the basic strength of department stores in electronics retailing is borne out by Macy's performance in both Miami and Houston. With only one store in Miami and three in Houston, Macy's still manages to garner a 3.5% ranking in the less competitive Florida market and a 2% rating in Texas.

Notable for their lukewarm—or downright cold—consumer response in the current study are the warehouse clubs. Though many have feared that warehouse clubs would seriously distort the electronics retailing environment, the consumer poll shows that the wholesalers have not yet made as serious impact on electronics customer perceptions as on the small electric housewares shopper.

In the Denver market, home base for Pace, the warehouse club does not receive a single mention as the best retail provider of value for home electronics. In Houston, Wal-Mart's Sam's Wholesale Club fares only marginally better with 0.5% of those interviewed citing the deep discount operation for providing the best value in consumer electronic goods. □

CE market share war looms closer

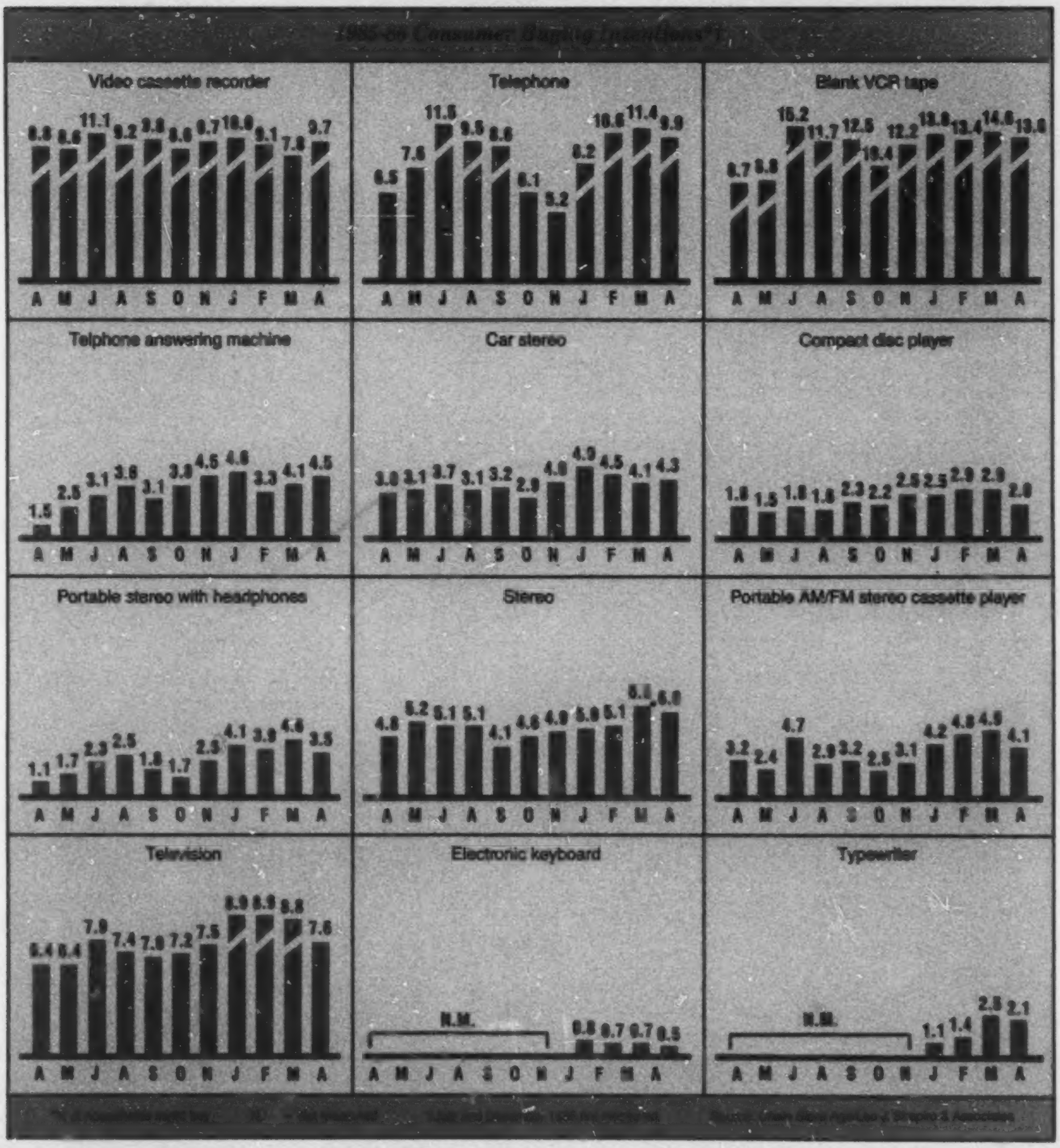
This year's consumer electronics industry is being billed by some as the year of "The Great Market Share War." *Chain Store Age* MarkeTrends research confirms that consumer interest in home electronics products may by lagging.

Although all 10 of the products studied in both the current poll and in the April 1985 survey are recording higher levels of consumer intent to buy, unlike previous years, not one of the products in the study is on a clear upward growth path.

The possible major exceptions are compact disc players and home stereo systems. Both categories record drops in the current poll, but it is still too early to determine whether the declines are real or are only short term statistical blips.

The only other possible exception is telephone answering devices, but no one is predicting TADs will pick up the slack.

Yet, on the other hand, no product category is clearly on the decline, giving further credence to the market share war theorists. Without a real upsurge in consumer buying, the industry's increased number of players will have to fight for a larger share of a more slowly growing market. ☐



Keyboard promotion hits sour note

***Surveyed consumers expect to pay** a median $300 for electronic keyboards.*

General merchandise chains are carving out a healthy share of the emerging market for electronic keyboards, but at what price? According to MarkeTrends research, retailers may be promoting prices earlier in the marketing cycle than is necessary.

The latest poll reveals that general merchandise chains have taken a commanding share of the market. Sears, Penney and Ward sold 20.8% of keyboards in the last year, according to the study. Discount stores combined to sell another 17%, with K mart alone capturing a 9.4% share. Full line department stores grabbed 11.3% of the market.

But in an effort to pull electronic keyboards into the mass market early in their selling cycle, the general merchandise chains may be unnecessarily sacrificing margins.

Why would you buy an electronic keyboard at a specific store?

	Those who might buy	Those who have bought
Price/discount	29.7%	72.0%
Selection	21.6	2.0
Quality	10.2	10.0
Reputation	8.1	4.0
Location	8.1	10.0
Past experience	5.4	4.0
Family works there	2.7	N.M.
Service	2.7	N.M.

May not total 100% due to multiple or no responses
N.M. = No mention
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Consumers in the MarkeTrends sample say they expect to pay a median $300 for an electronic keyboard. Yet those who actually did buy in the last year report paying only a median $200.

Similarly, price is the determining factor in choosing where to shop for only 29.7% of those who expect to buy a keyboard, compared to 72% of those who have bought. Both selection and quality are more important to the prospective buyer than they are to those who already have bought (see chart).

Among vendors, Casio was the consumer's clear choice, with fully 40% of those who bought an electronic keyboard within the last year reporting they bought the Casiotone brand name. ☐

B&W to color television market

Two categories of televisions, both relegated to the technological and fashion backwaters, are making a charge against the tide. Black-and-white TVs, after suffering dramatic sales declines last year, are poised for modest growth this year. So are consoles.

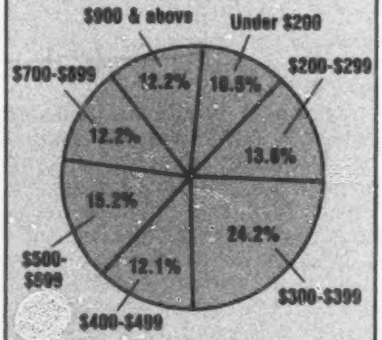
Though color receivers are still the choice of more than 9 out of 10 consumers in MarkeTrends polling, monochrome TVs are posting a comeback. In the most recent survey, 7.1% of those who bought a television in the last year report buying a black-and-white set. This compares to the 3.6% who had bought a monochrome receiver in the June 1985 MarkeTrends survey.

Consoles, once thought inappropriate to contemporary tastes, are also clearly growing as a consumer choice. In the latest MarkeTrends poll 48.8% report they expect to buy a console receiver. This compares to the 32.1% in the November poll and 24.5% who said they wanted a console in the February 1985 survey.

The true advent of stereo television broadcasting could be pushing the market for console sets with larger speakers. It may also be driving up consumer price expectations. In the April study, 12.2% of prospective TV buyers report they expect to pay more than $900 for their new set.

On the average, consumers in the MarkeTrends poll say they expect to pay a median $400, up from the average $300 they spent on a set last year. ☐

What do you expect to pay for a television?

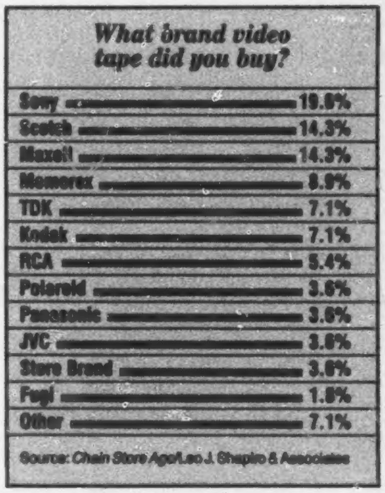


Source: *Chain Store Age*/Leo J. Shapiro & Associates

Kodak's turn to beat Polaroid

It took a court order for Polaroid to knock Kodak out of instant photography, but Kodak may yet have its revenge in a more profitable category—blank video tape. According to MarkeTrends research, Kodak is carving out a respectable share of the blank video cassette market, while Polaroid is still stuck with the also-rans.

In the most recent survey, 7.1% of households which have bought blank tape within the last year report that they bought Kodak. Polaroid records a 3.6% share of households. Kodak has been maintaining its lead over Polaroid since July 1985 when it made its first appearance on the MarkeTrends survey.



Source: Chain Store Age/Leo J. Shapiro & Associates

Over half of the households interviewed, however, are buying only four brands. Sony heads the list with 19.6%, followed by Scotch (14.3%), Maxell (14.3%) and Memorex (8.9%).

Yet brand loyalty continues to fade. When asked why they choose a particular store in buying blank video tape, nearly 3 out of 4 of the survey's respondents cite price and location as their prime determinants.

Discount stores are cashing in on blank tape's trend into a commodity item. In the current MarkeTrends poll, exactly one-third of those who have bought tape in the last year say they bought at a discount outlet.

On the average, consumers in the poll report paying six dollars for their last blank video cassette. ☐

Misleading the customer

Sleight of hand is the magician's oldest trick, and it never ceases to entertain. But when an industry plays verbal sleight of hand with the sole intention of misleading its customers, it is neither entertaining nor, in the long run, productive.

The consumer electronics industry is practicing verbal games with so many of its products that it is in danger of losing credibility with its customers.

The whole industry is not at fault, but enough bad apples are out there to spoil the consumer's perception of the entire industry. There are certainly many examples, but here are some of the worst.

Consider the stereo compatible television. To the average customer this might reasonably be expected to be a television which is compatible with the broadcast stereo signal—in short, a stereo television.

Of course, it is not. Drawn in by an advertisement, the customer learns that it is actually a monaural television which, by purchasing a decoder at an additional price, he may convert into a stereo television.

Consider also the stereo video cassette recorder which has neither built-in MTS nor hi-fi sound. It may be fine to promote on ad, but will it sound like the product the customer thought he was getting when he walked into the store?

How about the 100-watt stereo rack system which (in very fine print) reveals itself to deliver 50-watts per channel, and thus through a perverse mathematics is called a 100-watt system?

Also worthy of mention in this rogue's gallery of misinformation is the push button pulse telephone, which, while serving a genuine function in areas without tone service, is often advertised as a true tone dialer.

Why has the industry stooped so low? The answer lies in the intense price competition which has typified home electronics retailing in recent years. In the current environment, many have come to believe that discounting is the only way to sell electronics, and some will go to any length to promote their own low price image.

At best, this is short sighted. At worst, it sometimes approaches fraud. Its defenders cite the necessary evil as their defense. There is, however, another answer.

A year ago, The Federated Group's chairman Wilfred Schwartz called on the industry to adopt every day low pricing. In the year that has passed, the only major retailer to heed Schwartz's call has been Dayton Hudson's Target discount division. Target should be commended.

Merchandise at every day low prices at Target is not marked down again for sales other than clearances. The policy builds price credibility among customers and helps Target avoid the questionable promotional practices some retailers have fallen prey to.

In addition, the switch to every day low prices has, according to Target sources, increased both sales volume and margins. It has also eliminated some of the spikes in sales volume, making it easier for both buyers and their sources to anticipate demand.

With a success story like Target's, it is difficult to understand why more retailers have not followed its lead. Yet as long as more do not, Target and other enlightened retailers will grab a greater share of customer's dollars. They deserve it.

—Rick Gallagher

A FIVE YEAR STUDY OF HOUSEWARES

VITALITY

Sales and margins at discount and dept. stores have not kept pace with overall store performance. But discounters have grabbed share and guarded profits.

Each year, consumers spend more dollars on housewares, but all those bowls and mixers do not always whip up benefits for retailers. Merchandisers sometimes have to wait years for a "must-have" electric item to come along. When it finally arrives, margins can be as sharp as the razors that shoppers are slow to replace with electric shavers.

In the case of nonelectrics, margins are better, but turnover can be a problem. Thermal servers and microwave bakeware are finally warming up sales after years in which only SilverStone sizzled.

One persistent problem springs from distribution channels. Maybe there is no place like home, but items to equip it are everyplace. A *CSA* marketshare study for 1984 shows retailers defined as "other" selling more housewares than Sears, Penney, Ward and all department stores combined. That is true not only for electrics, as might be expected, but for nonelectrics as well. "Other" comprises drug stores, supermarkets, mail order, flea markets, etc.

Meanwhile, vendor glut puts the promotional screws on electrics. The consumer, armed with rebate coupons and ad circulars, has come to expect a hair dryer for $1.

Despite the problems, a *CSA* examination of the category's productivity through the first half of the 1980's indicates that discounters are churning a lot of work out of kitchen tools. Though margins for electrics remained narrow, discount stores managed to lift them from abysmal levels. Meanwhile, turns for nonelectrics improved.

Department stores, on the other hand, made some messes with housewares. All the SilverStone in the world cannot seem to prevent nonelectrics from sticking to department store shelves. Margins on these items stayed healthy, but turnover in the period was anemic.

Electrics earned their shelf space in department stores, cooking up big dollars per square foot. But by the end of the five years analyzed, department store margins on these items had slipped below discount-store levels.

Marketshare shifts that occurred within these years left discounters ruling the roost. From 1981 to 1984, discounters grabbed share from every other type of retailer.

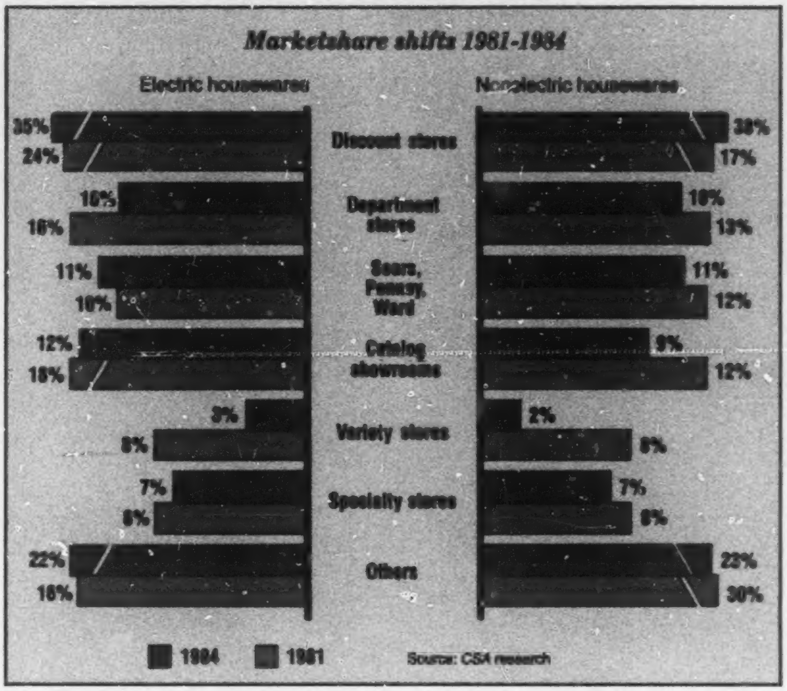
***Discounters avoided** serious margin erosion on electrics.*

Productivity Breakdown

	Department Stores		Discount Stores	
	1980	1984	1980	1984
Nonelectric Housewares				
Sales per square foot	$67	$73	$109*	$110
Annual turnover	2.1	1.8	2.53	3.01
Gross margin	42%	39%	32%	31%
% of total store sales	1.4%	1.6%	6.3%	4.7%
Electric Housewares				
Sales per square foot	$193	$207	$109*	$112
Annual turnover	3.0	2.8	3.0	3.4
Gross margin	25%	21%	18%	23%
% of total store sales	0.9%	1.2%	2.7%	2.3%
Total Store				
Sales per square foot	$113	$160	$97	$157
Annual turnover	3.3	3.0	3.4	3.5
Gross margins	41%	38%	30%	29%

*Figure includes both electrics and nonelectrics; breakdown unavailable

Sources: National Retail Merchants Association, National Mass Retailing Institute and *Chain Store Age* research



Marketshare shifts 1981-1984

Source: CSA research

In electrics, that meant leveraging a slim lead into a clear win. Discount stores controlled 24% of the market in 1981. With 18%, catalog showrooms were breathing down the discounters' necks. Just a few paces behind with a 16% share each were department stores, the Big 3, and "others."

Three years later, the landscape had changed. Discount stores had 35% of the pie. The "other" category had surged up to second place with 22%, but the rest of the contenders were panting far behind. Catalog showrooms stumbled to 12%, the Sears, Penney, Ward group gained one mere percentage point, and department stores fell back to 10%.

Discounter gains were even more dramatic in nonelectrics. At the start of the period measured, "others" led the market with 30% of the business. With only 17%, discount stores were a distant second, followed four points behind by department stores.

In 1984, the discounters had taken a bite out of every competitor to spring ahead to 38%. The only heavy losers were "others" with a seven-point surrender, and variety stores, giving up six points to dwindle down to a barely visible 2%. Otherwise, the discount stores took a nibble here and there, a diet that led to dominance.

While losing housewares marketshare in the early 1980's, department stores also let the harness slip on the category's power.

During the five-year period, housewares sold in department stores saw modest gains in sales per square foot. For nonelectrics, the figure crept from $67 in 1980 to $73 in 1984. Meanwhile, electrics were nudged from $193 to $207.

Percentagewise, that was only a small gain for electrics. However, at both ends of the time span, electric housewares were charged up with dollar-volume. Sales per square foot *total* store was $113 in 1980. In comparison, electrics whirred up $193.

But while this indicator stayed fairly stable for both types of housewares, the department store as a whole moved ahead. Electrics maintained their sales-per-square-foot lead, but it narrowed. By 1984, the score was Electrics $207, Store $160.

Nonelectrics, in the meantime, stayed far behind the store in this respect. In fact, their performance eroded over the period. At the end, nonelectrics were yielding sales per square foot that were less than half the store average.

In department stores, gross margins for nonelectrics kept abreast with the figure for the entire selling floor. Over the half decade, margins slipped just slightly for the non-plug-in housewares and for the total store. For both, they hovered around 40% throughout the timeframe.

Electrics were far less profitable. Their margins started out slim and were honed significantly. In 1984 they were 21%, precariously narrow for a department store.

On the brighter side, electrics turned almost as fast as the store average. Turnover for total store inventory slowed just a few decimal points in the early 80's, and electrics followed that pattern. In 1980 they were at 3.0 compared to the store's 3.3; four years later electrics turned 2.8 times, reflecting the slight store slowdown to 3.0.

Nonelectrics lacked electric's spark. They began the period with a sluggish 2.1 turnover rate, braking to 1.8 by the end.

Discount store housewares failed to keep pace with galloping sales per square foot in the total store. An electric/nonelectric breakdown of this indicator is not available for 1980. Grouped together, housewares began the period with a dollar-volume bang. They raked in $109 per square foot compared to the store's $97.

But by 1984 the average for the discount store selling floor was outperforming housewares. The overall store leaped to $157 per square foot leaving housewares' $110 in the shade.

Margins for electrics improved greatly in the first half of the 80's. While they never caught up with the total store's 29% for 1984, electrics' 23% made a respectable showing that year. At a time when margin erosion was rampant elsewhere, discount stores managed somehow to buck the trend.

Discount store nonelectrics entered the decade with above-average margins of 32% and had lost only one point four years later.

Moreover, nonelectrics managed to shake off the turnover doldrums. In 1980 they were gathering dust, turning only 2.53 times annually despite the discount environment. But they geared up to 3.0 in 1984, matching the rate for the entire store.

Electrics turned well at both endpoints of the term, lagging just a decimal point or two behind the total discount store's turns.

Discounters, it seems, were not content simply to snatch more housewares marketshare. Once the products were in the store, they had to start humming and stirring. ☐

Consumers give conflicting signals

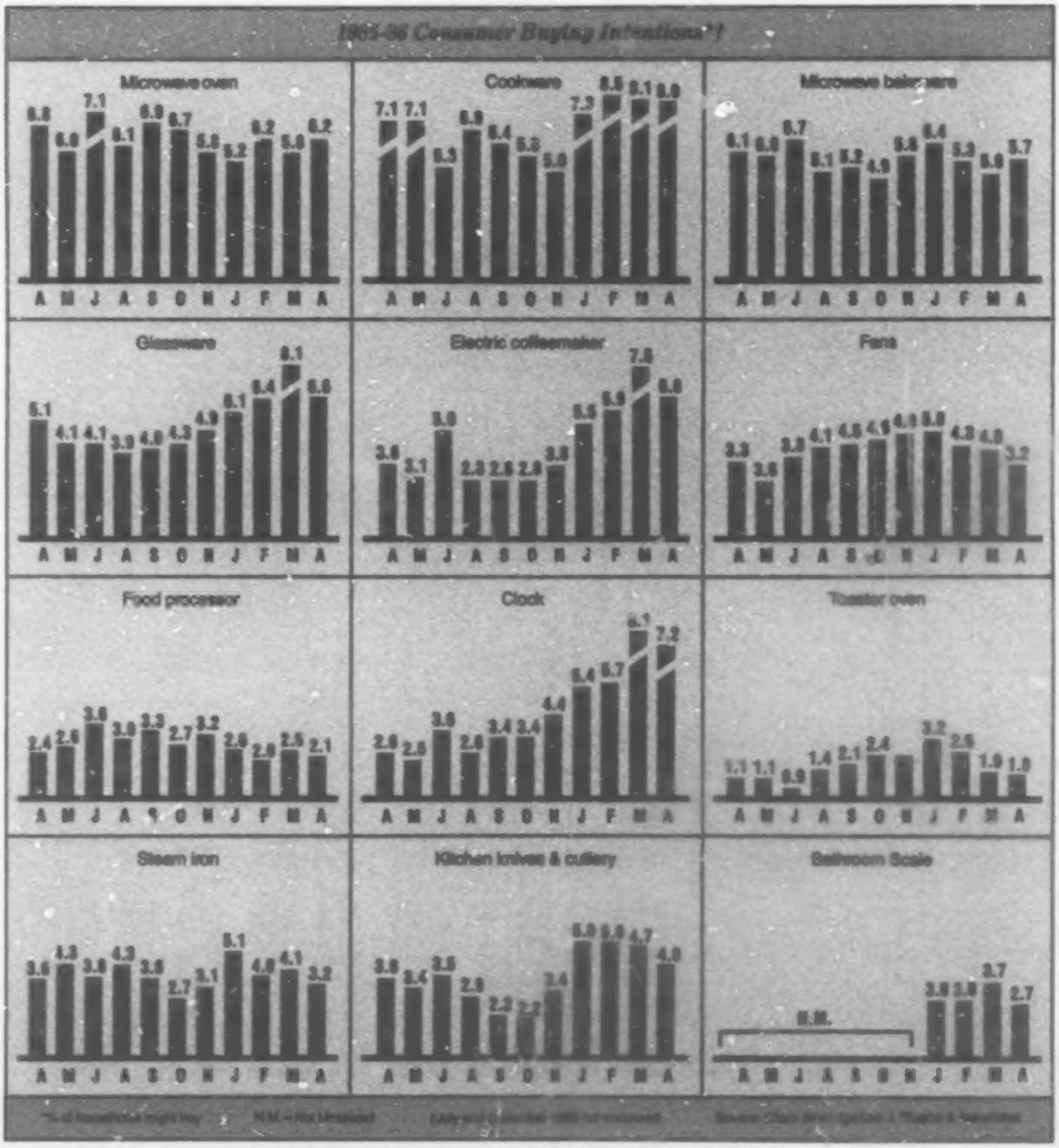
Consumers are transmitting conflicting signals of their interest in housewares products, according to this month's *Chain Store Age* MarkeTrends survey.

Though intention to buy dropped for 10 of 12 items on a month to month basis, a more even handed analysis of prospects may be available when comparing the year to year buying potential. Six products posted increases over a year ago: cookware, glassware, electric coffeemakers, clocks, toaster ovens and cutlery.

Microwave ovens, microwave bakeware, fans, food processors, and steam irons came in lower year to year. Bathroom scales were not studied a year ago, but they have dropped below the high water mark of January and February.

A further sign that all is not despair in the housewares area is that the per cent of "active" shoppers for each product, that is, shoppers who have initiated some activity in pursuit of a product, increased year to year for all items except microwave ovens and food processors.

Glassware and cutlery seem poised for growth as their active shopper percentages more than doubled from a year ago. ☐


1985-86 Consumer Buying Intentions†*

*% of households might buy N.M.—Not Measured †July and December 1985 not measured [illegible]

$44 hot price in toaster ovens

Thirty-eight per cent of consumers paid between $36 and $50 for toaster ovens.

At which store was your last toaster oven bought?	June '85	Nov. '85	April '86	Might buy April '86
K mart	7.3%	10.9%	9.6%	8.6%
Others discounters	28.2	22.7	19.2	22.9
Sears	3.2	8.2	3.8	8.6
Penney	—	3.6	1.9	2.9
Ward	2.4	7.3	—	—
Department store	11.3	18.2	19.2	14.3
Catalog showroom	14.5	12.7	21.2	14.3
Drug store	1.6	0.9	1.9	—

Source: Chain Store Age/Leo J. Shapiro & Associates

Consumers have a pretty good idea of how much bread they will have to spend for a toaster oven. The median price they say they will pay has remained within the $40-$46 range for the last three MarkeTrends surveys. And, when it finally has come to making a purchase, consumers have spent a median $44.

The preponderance of responses falls within the $36-$50 range, with 38% of those purchasing toaster ovens spending that amount. Another 13% spent between $51-$99.

Price is very important to the toaster oven purchaser. While price/discount is mentioned by 40% of those intending to buy a toaster oven as the reason they would patronize a particular store, more than half (53.3%) of the survey's respondents who actually bought a toaster oven cited price/discount as the deciding factor.

Selection slipped in importance, though convenient location increased when intentions turned to actions. Selection received mentions from just 2.2% of the purchasers (down from 17.1% of the planners), while location jumped to 11.1% from 5.7%.

Despite being a price sensitive item, toaster oven sales showed good flow through at department stores. Nearly one in five sold at department stores, just 2% fewer than at catalog showrooms. In the last year both formats picked up market share. ☐

Prices keep fan sales spinning

Nearly 1 out of 7 households bought a fan during the last year, a pattern that should repeat itself in the coming 12 months, according to MarkeTrends research. Shoppers appear to be five times as interested in ceiling fans as in table fans, but when it came time to purchase, the interest leveled off into equal buying of both types of fans. They controlled 80% of the market.

Discount stores continued to dominate the field, as well they should since 53.8% of those who bought a fan said that price/discount was the No. 1 reason for selecting a store. Overall, discounters had a 38.8% market share, up from 26.1% in June 1985. K mart, alone, boosted its share to 17.4% from 11.2%.

Department stores suffered a 5% erosion to 2.6%, while specialty stores increased by 7% to 10.3%.

The selling of fans almost has become a commodity business, driven by price alone. It appears that price promoting retailers are to blame as consumers intending to buy fans expect to pay a median $60, compared to the median $40 paid by those who actually purchased a fan.

Moreover, only 25% of those considering a purchase cited price/discount as their motivation in selecting a store. In doubling the importance of price/discount, actual purchasers reduced their emphasis on selection, quality, past satisfaction and location.

General Electric copped 20% of the brand mentions, followed by Casablanca and Hunter, each with 10%, Panasonic and store brand, 7% each, and 2% apiece for Galaxy, Edison and Emerson. ☐

How much would/did you pay for a fan?	Might buy	Bought
$15 and under	—	4.8%
$16-$20	11.1%	11.5
$21-$25	—	11.5
$26-$30	5.6	8.7
$31-$35	—	1.8
$36-$50	13.9	14.4
$51-$99	22.2	11.5
$100-$124	8.3	7.7
$125-$149	2.8	2.9
$150-$199	—	1.9
$200-$299	11.1	1.9
$300 and above	2.8	3.9
Not answering	22.2	18.3
Median	$60	$40

Source: Chain Store Age/Leo J. Shapiro & Associates

Microwave bakeware lures by locale

Consumers are buying microwave bakeware to the tune of some $500 million a year. But their song contains a one word refrain . . . "location, location, location."

When contemplating a purchase and when making one, slightly more than 16% of all consumers consider a store's location of paramount importance in choosing a retail outlet.

To arrive at that feeling, consumers have been traveling a circuitous route. During the last year of MarkeTrends research, consumers have expressed wide fluctuations in store purchase patterns.

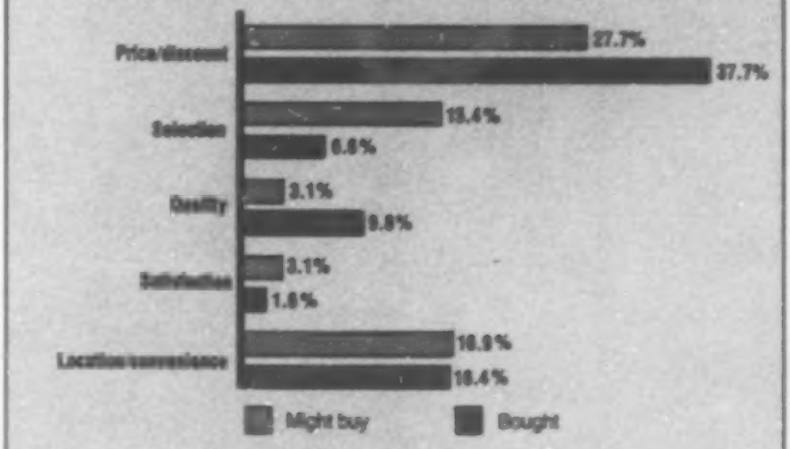
Last June, 9.6% said they purchased microwave bakeware in K mart. That number slumped to 2.4% last November. It picked up slightly to 6.9% in the latest poll. Other discounters showed a November lag, too, dropping to 11.5% from 19.2%, but they rebounded to 19.5%.

Sears finished higher for the year, 12.6% vs. 10.6% in April, though its November score peaked at 20.6%. Department stores steadily declined from 14.4% to 8%. J. C. Penney and Montgomery Ward remained virtually flat, each with about 5% of the market.

Microwave bakeware appears to be appealing to a more upscale customer compared to a year ago as 5% more households headed by white-collar workers favor the products.

The Northeast has increased acceptance of microwave cooking. Compared to a year ago, 45% more New Englanders and 63% more residents of Mid-Atlantic states bought microwave cookware. ☐

Why shoppers choose a store for microwave bakeware



Source: Chain Store Age/Leo J. Shapiro & Associates

Eldon Office Products introduces the newest in all-purpose desk-top organizers for office, home, workshop, studio or hobby room. Available in three popular colors—Ebony, Smoke and Putty—the Pencil Palace's radius design coordinates with Image 1500 desk accessories as well as more conventional designs. The suggested list price of the Pencil Palace is $4.98. *(Eldon Office Products, Dept. SP, 1130 E. 230th St., Carson, Calif. 90745.)*

Clairol introduces PAZAZZ styling mousses and gels with a touch of color that washes out in one shampoo. PAZAZZ contains tiny reflective color crystals that give hair a touch of shimmering color. PAZAZZ is available in gold, bronze, copper and rose. *(Clairol Inc., Stamford, Conn. 06902.)*

PAZAZZ
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PAZAZZ

New Home introduces a new line of "Super Bright" craft threads. Packaged in a handsome counter display, the new craft thread line consists of eight fluorescent colors, four rainbow colors, and can be used with any sewing machine sold in this country. The super bright threads are colorfast (won't fade) and completely machine washable. *(The New Home Sewing Machine Company, 171 Commerce Road, Carlstadt, N.J. 07072.)*

Are Jan. white sales a lifesaver?

A quirk in sampling procedure or a market dangerously flirting with disaster? That's the question raised by this month's *Chain Store Age* MarkeTrends data gathered in early to mid January, before the full impact of that month's white sales could be measured.

What is known is that each category tracked by MarkeTrends declined from the month earlier survey. Some, like blankets and towels, showed extreme decreases in the "might buy" phase of the survey.

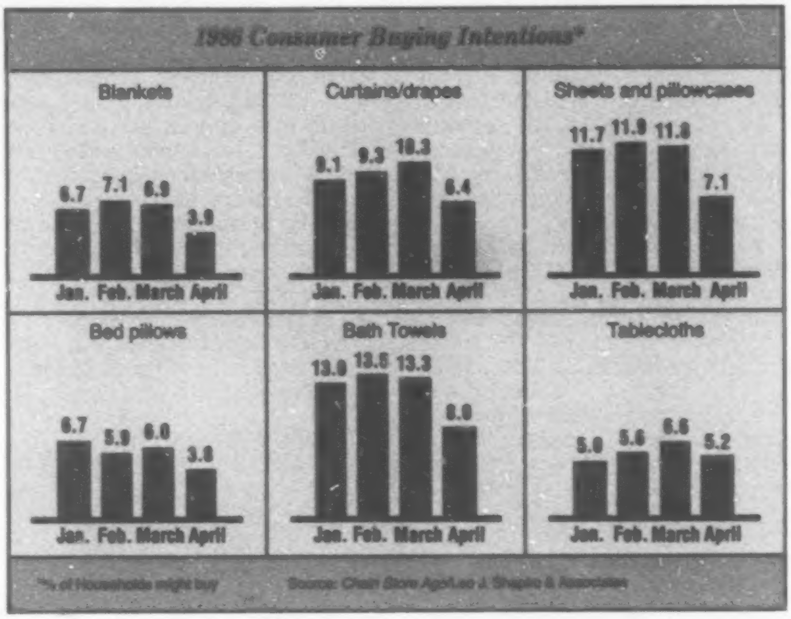
The percentage of households reporting a purchase in the past year for the six products also slipped dramatically.

George Rosenbaum, president of Leo J. Shapiro & Associates, the market research firm, suggests that the survey results could show the dependence consumers place on January white sales.

When asked about last year's purchases, consumers found the timing too distant to remember January 1985. And this year's white sales had not yet prompted enough sell through to register, nor had advertising stimulated intent to buy, opined Rosenbaum.

Rosenbaum's theory is far more palatable than the alternative which forecasts a downturn in sales. Next month's results should provide clues as to which theory is more appropriate. ☐

*1986 Consumer Buying Intentions**



*% of Households might buy

Source: Chain Store Age/Leo J. Shapiro & Associates

Sheets: Dept. stores No. 1

How much would/did you pay for sheets/pillowcases?

	Might buy	Bought
Under $10	7.0%	6.7%
$11-$15	9.1	6.0
$16-$20	14.0	13.3
$21-$25	5.6	8.0
$26-$30	8.4	10.0
$31-$35	1.4	0.7
$36-$50	4.9	8.7
$51-$99	2.8	10.0
$100-$124	3.5	3.3
Not answering	43.4	33.3
Median	$20	$25

Source: Chain Store Age/Leo J. Shapiro & Associates

The emphasis of department stores on 200 count high end sheet and pillow case assortments and collections from the likes of Ralph Lauren and Laura Ashley appear to be paying off, according to *Chain Store Age* MarkeTrends. Consumers have indicated a sharper willingness to buy at department stores and to pay higher prices than planned.

When asked how much they expected to pay for sheets and pillowcases, consumers said a median price of $20. When they actually bought, however, the median price they said they paid was $25.

A closer examination of the number shows that while 28% expected to pay between $16-$30, and another 7.7% anticipated a $36-$99 price tag, reality proved to be more expensive. Nearly one in three (31.3%) reported spending $16-$30, with another 18.7% spending $36-$99.

They did so more often at department stores than originally planned. The department store gains came mainly at the expense of Sears. Penney, on the other hand, increased its might percentage from 7.7 to an actual purchase incidence of 10.6%. Discount stores remained fairly stable at about a one in five customer preference.

This is not to suggest that the sheet and pillowcase customer has become a full margin shopper. The constant promotions at department stores hardly would allow that to happen. Moreover, one-half of all consumers said they chose a store because of price/discount, up from 30% who planned a purchase. But it does suggest that in running their promotions department stores have been able to trade customers up in brand selection.

Wamsutta, leader in department store merchandise mixes, is not mentioned by any household polled contemplating a purchase. But among those who did buy, Wamsutta garnered a 4.4% share. Fieldcrest, too, increased its share, from 2.4% might buy to 4.4% bought.

Cannon is the overwhelming leader in pre- and post-purchase preference, with 26.8% and 30.9% respective shares. Sears dropped from 14.6% planned purchases to 7.4% actual, while J. C. Penney checked out with a fairly constant consumer rating, 12.1% planned and 13.2% actual. ☐

Curtain sales shift to Big 3

The Sears, Penney, Ward group are seeing better sales in curtains/drapes.

The curtain and drapery business appears to be shifting toward an even greater concentration in the hands of Sears, J.C. Penney and Montgomery Ward, according to *Chain Store Age* MarkeTrends data.

In three months time, consumers have increased the Big 3's market share by nearly 4%, from 36.8% to 40.5%. The strength of the large chains is especially evident when one realizes that in most categories tracked by MarkeTrends, interest to buy at Sears, Penney, Ward usually exceeds actual purchases. For curtains/draperies, the opposite proved true. They improved on a 28% projected household penetration predicted in January.

Consumers have traded down slightly. In the January results, they spent a median $75. In April the median price slipped to $70, with the largest base of customers, 24.5%, saying they spent $36-$99. The lower payout may explain a shift in market share for department and specialty stores. Six per cent fewer shoppers patronized them in April than in January.

Interestingly, price/discount as the major consideration why purchasers picked a store declined by 5% to 38.4% in the three month period. That could explain why K mart suffered a similar 5% erosion of market share to 5.4%.

Big 3 hang up more sales

	Jan. '86	April '86
K mart	10.5%	5.4%
Other discounters	10.5	9.9
Sears	13.7	14.4
Ward	4.2	8.1
Penney	18.9	18.0
Department stores	15.8	12.6
Specialty stores	11.6	9.0

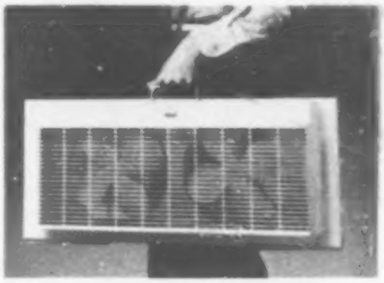
Source: *Chain Store Age*/Leo Shapiro & Associates

NEW
PAPER MATE
METAL ROLLER

Paper Mate introduces the new Metal Roller Pen. This is a smooth 0.3mm fine line writing roller pen with a metal point. Available in the most popular ink colors, the Metal Roller cap clip and barrel imprint will be color coded to identify the ink color. The pen will be available in carded open stock, or a convenient counter display containing three dozen Metal Rollers. *(The Gillette Company, Paper Mate Division, Prudential Tower Building, Boston, Mass. 02199.)*

Teddy Tagums, a child identification tag in the form of a happy blue plastic bear, is being introduced by Playline. This comforting tag is affixed to the front or back of a child's shirt or jacket with a large diaper pin that comes attached to the new product. Teddy Tagums is nontoxic, waterproof, and shatter-resistant, with a suggested retail price of $2.50. *(Playline Inc., 550 Frontage Road, Suite 3035, Northfield, Ill. 60093.)*

A portable slim line window fan is available from the W. B. Marvin Company. The Marvin 2000 features twin 8-in. fans that provide whisper quiet air delivery with two speeds, adjustable from either side of fan. The high impact safety grill guards fingers of youngsters. The fan fits sash windows 24 in. to 35½ in. wide, and also adapts to slider



type windows. *(W. B. Marvin Manufacturing Company, Urbana, Ohio 43078.)*

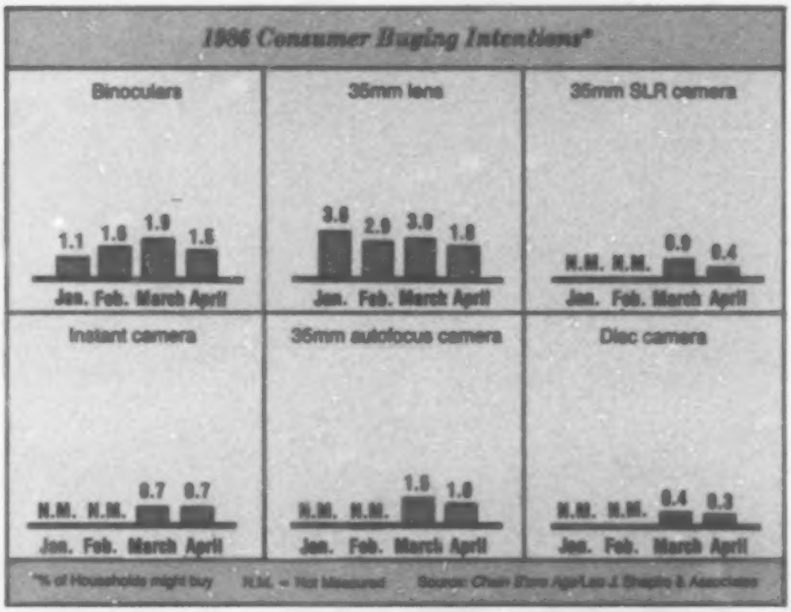
Bush Industries offers two new video carts at highly affordable prices. With a suggested retail price of $69.95, Model V309 TV/VCR cart features radiused front rails which gently soften its contours. Its top can accommodate most 26-in. monitor/receivers or 19-in. televisions. Below this is ample room for a VCR and some videocassette tapes. The cart's doors are enhanced by attractive brass door pulls. *(Bush Industries Inc., 1 Mason Drive, Box 460, Jamestown, N.Y. 14702.)*

Are cameras losing their flash?

Overall camera buying intentions for the next 12 months appear to be flat compared to actual purchases during the past year. Of the nearly 7,000 households surveyed by *Chain Store Age* MarkeTrends, just 3.4% said they intended to buy a camera of any type.

Since intentions to buy generally reflect one-half of the actual purchase incidence, that translates into a 6.8% purchase pattern, just slightly ahead of the 6.5% of all households surveyed who said they bought a camera in the last year. (Data about past purchases comes from a separate survey of 5,600 households.)

Within that flat market, some hills and valleys emerge. Disc cameras are a deep valley, with only 0.3% of all households expressing an interest compared to the 1.6% who bought a disc camera last year.



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Research indicates that price is more important than the camera type.

Intentions to buy instant cameras and 35mm SLRs are at a level estimated to produce flat results with purchases of the last year.

Binoculars and 35mm lenses produced buying intentions percentages almost equal to last year's sales, an indication that business should be quite strong in those categories.

One of the biggest peaks belongs to 35mm autofocus cameras. Intentions to buy are running at about 70% of actual purchases of the last year, a good sign.

Comparing intentions to buy with actual purchases reveals a consumer with a split personality. When thinking about a 35mm autofocus camera, consumers lean more toward price-oriented stores such as discount stores. When actually buying, they do not follow through with their support of discount stores. They frequented them just 11% of the time compared to a 16% intent to shop discount stores.

Instead, they increased their patronage of department stores, drug stores, J. C. Penney and Montgomery Ward.

Nevertheless, consumers still said price and discounts were the driving forces behind their selection of a given store in which to purchase a 35mm autofocus camera. Responding to the promotional atmosphere of the last year, 50% of consumers who bought cameras rated price/discount as their motivating reason, compared to 43% of those who intended to buy.

Selection, which was important to 13% of those considering a purchase, was important to just 7% of those who bought. The consumer seems to be saying that the right price, not necessarily the choice of camera, is most important.

That's understandable given the fact that consumers say they expect to pay a median price of $200 for a 35mm autofocus camera but wound up paying a median price of $150.

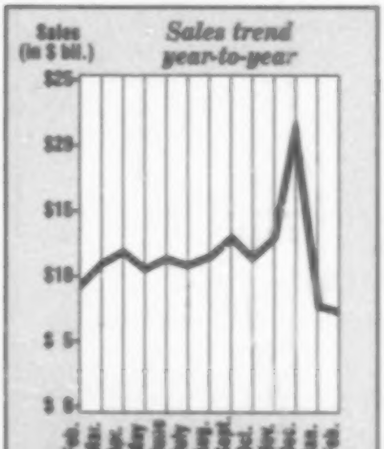
Though many consumers are presold as to the brand they would buy, there is still substantial room for good marketers to affect their final choices. While 57% of those intending to buy an autofocus camera said they wanted a Canon, only 34% who bought a camera actually picked that brand. Instead, they upped their selections of Minolta (26%), Nikon (16%), Ricoh (5%), Pentex (5%), Vivitar (3.2%) and Olympus (3.2%). ☐

February sales up a meager 7.1%

February sales took off at a snail's pace, but managed to gain at least some momentum as the month moved on. The 18 retail companies tracked by *Chain Store Age* recorded sales up a leisurely 7.1% for the month.

Considering the battering California retailers took from the month's torrential rains and the economic uncertainty caused by falling oil prices in the Oil Belt, even that increase may have been a significant accomplishment.

"Results for the month were generally satisfactory, considering the severe weather conditions which our stores faced in California," said Carter Hawley Hale chairman/ceo Philip M. Hawley. CHH department stores recorded a 2.1% drop in same-store results, which were offset by a 5.8% gain in the specialty store division.



Composite of sales trends showing month-to-month sales volume for the 18 retail companies tracked by *CSA.*

Among the Big 3 mass merchants, only J. C. Penney posted gains for the month, with U.S. stores and catalog operations showing a 7.4% February increase. Comparable store results also gained 6.6% over the previous year.

Sears reported sales for the Merchandise Group down 2% from last year, but U.S. operations took a slightly larger dip, dropping 2.8%. Montgomery Ward volume dropped a hefty 6%.

For retail operations still rapidly expanding, the month's sales volume looked considerably brighter. Wal-Mart posted a 42% gain, while Zayre followed closely with a 41% hike. Braintree, Mass.-based Bradlees, operating an additional 25 stores this year, recorded volume up 29%.

For the nation's second largest retailer, the month was less optimistic. Though revenue for K mart stores dropped, specialty store operations lifted corporate volume a meager 0.7%. February marked the third month in a row for which K mart stores posted a sales drop.

K mart stores in the Midwest farm belt were particularly hard hit, but lackluster U.S. sales were partially offset by a 22%-24% sales gain for Canadian operations. Comparable store results in Canada were up 7%-9% from last year.

Dayton Hudson was one of the few retailers whose results for the month matched expectations. Sales increased 14.2% overall, with same-store figures rising 8.8%. Target had a 12% overall gain and a 7% advance in same stores. The department store group posted a 9% total gain and an 8% increase in comparable stores.

Year off to slow start

		February Sales*		Stores		1-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,2]	− 2.8	1,570,485	1,615,639	800	797	1,570,485	1,615,639	− 2.8
Penney[2]	+ 7.4	741,000	690,000	1,911	2,012	741,000	690,000	+ 7.4
Ward[1,3]	− 6.0	241,300	256,700	293	314	241,300	256,700	− 6.0
Dayton Hudson	+14.2	542,200	474,600	1,207	1,143	542,200	474,600	+14.2
Federated[4]	+ 4.2	512,000	491,600	609	463	512,000	491,600	+ 4.2
May Dept. Stores	+ 9.8	309,900	282,200	1,979	1,875	309,900	282,200	+ 9.8
R. H. Macy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Associated Dry Goods	+ 4.2	256,400	246,000	347	334	256,400	246,000	+ 4.2
Allied Stores	+ 5.1	264,900	251,900	663	596	264,906	251,900	+ 5.1
Carter Hawley Hale	+ 3.2	253,200	245,400	302	268	253,200	245,400	+ 3.2
Mercantile	+ 7.9	105,829	98,107	80	79	105,829	98,107	+ 7.9
K mart[5]	+ 0.7	1,266,100	1,257,200	2,180	2,173	1,266,100	1,257,200	+ 9.7
Wal-Mart	+42.0	616,000	435,000	862	751	616,000	435,000	+42.0
Zayre	+41.0	260,200	184,200	586	862	260,200	184,200	+41.0
Bradlees	+29.0	98,000	76,000	157	132	98,000	76,000	+29.0
Tandy	+13.8	240,022	210,960	N/A	N/A	240,022	210,960	+13.8
Circuit City	+46.1	50,400	34,500	93	69	50,400	34,500	+46.1
Federated Group	+40.5	28,100	20,000	59	43	28,100	20,000	+40.5
Totals & Averages	+ 7.1	7,356,036	6,870,006	—	—	7,356,036	6,870,006	+ 7.1

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only.

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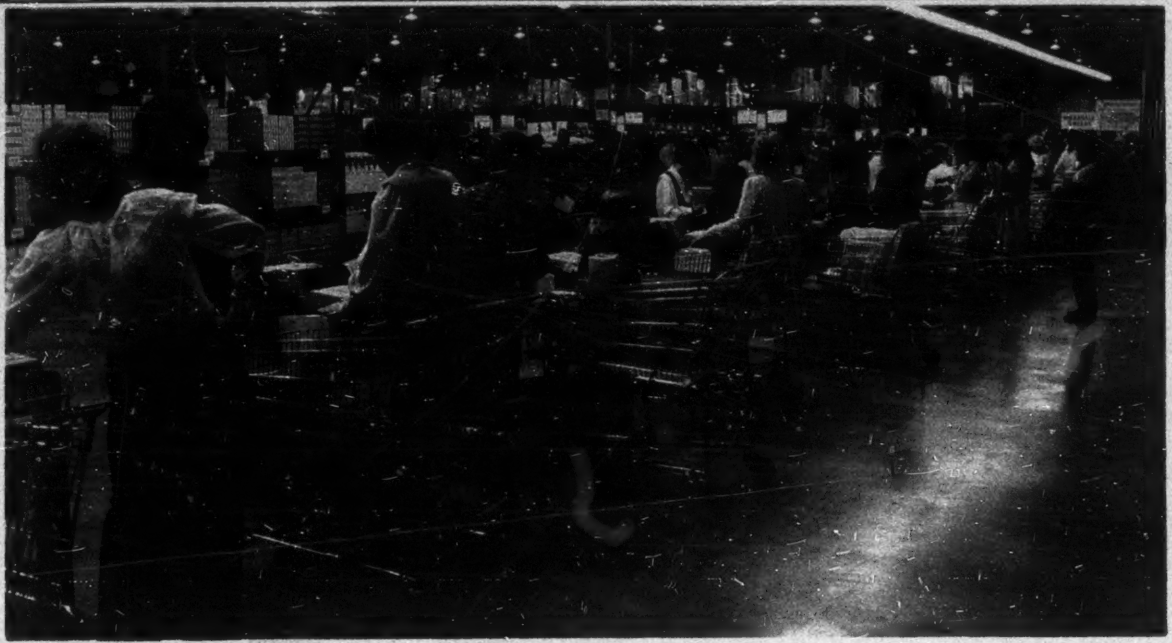
May 1986



Discounters feel the pressure of off-pricers, deep discount specialists and warehouse wholesale clubs *13*

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Still a yen for home electronics

Consumers are still planning to buy electronics products—in some cases in record numbers—despite price increases from Japanese vendors in response to the ever increasing strength of the Japanese yen in international currency markets.

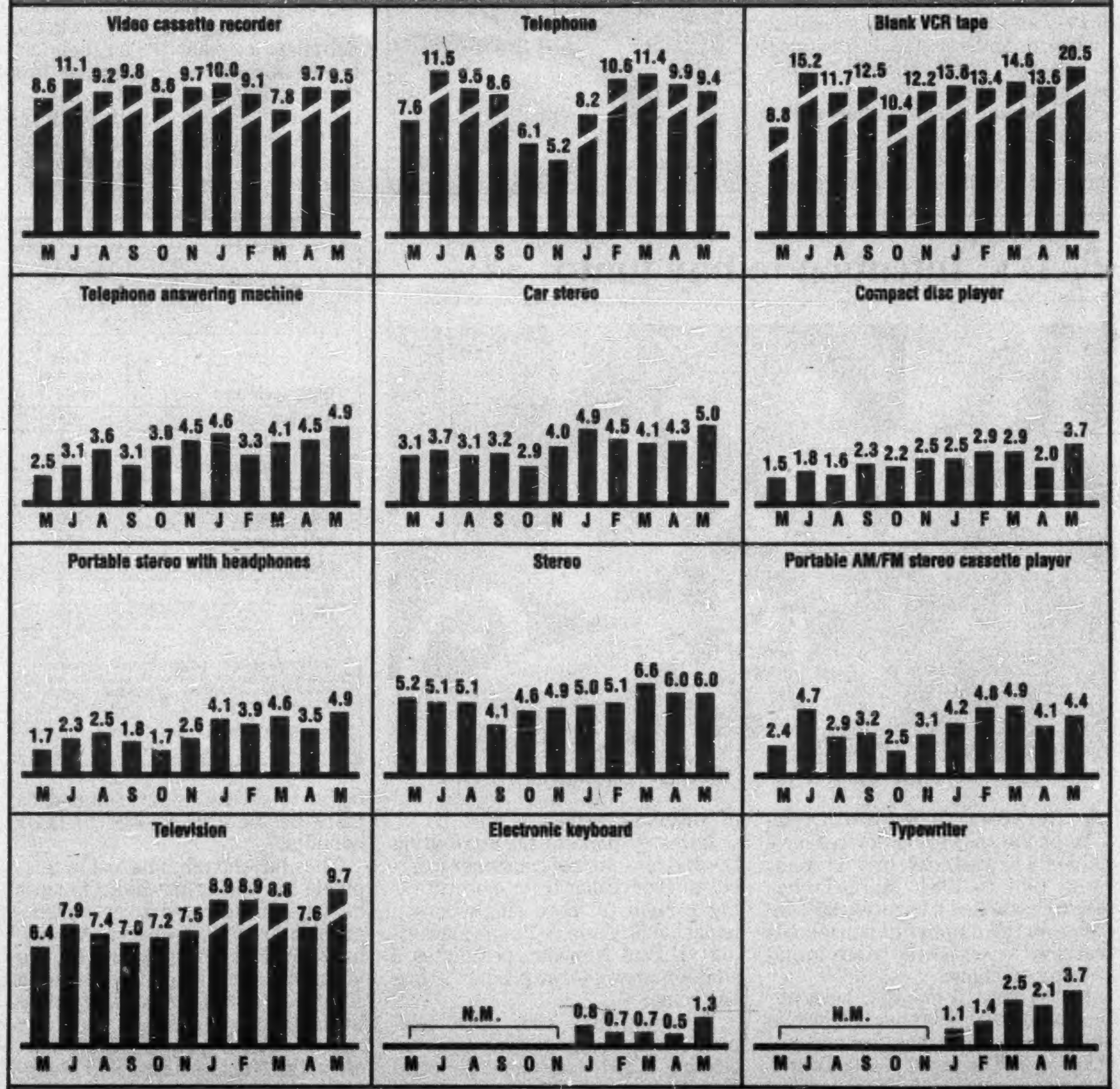
What is as yet unclear is whether Korean and Taiwanese manufacturers will be able to turn their new found currency advantage into additional market share.

According to the latest MarkeTrends poll, six products—blank video tape, telephone answering machines, car stereos, portable headphone stereos and televisions—are recording the highest consumer intent to buy in the history of the survey.

Riding the downside in the most recent poll are telephones, where the consumer's roller coaster levels of interest in buying indicate that many households are still either unsure or unknowledgeable about the need to buy a telephone.

Reflecting another trend in the MarkeTrends survey, consumer intent to buy a video cassette recorder in the next year remains at levels only slightly above those recorded in 1985. ☐

1985-1986 Consumer Buying Intentions†*



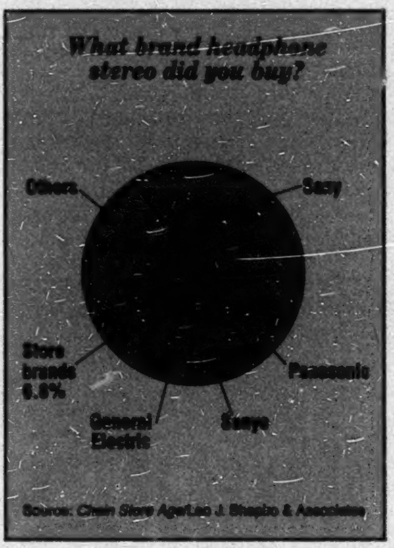
*% of households might buy N.M. = Not Measured †July and December 1985 not measured Source: Chain Store Age/Leo J. Shapiro & Associates

Headphone stereos now a commodity?

With personal headphone stereos becoming more and more a commodity item, their retail distribution is moving into what may seem as some unlikely outlets. In the latest MarkeTrends poll, 10.1% of households that bought a headphone stereo within the last year report buying at drug stores, hardware and home improvement outlets, flea markets and by mail.

In fact, distribution through non-traditional outlets is now larger than even K mart's market share (9.1%), and is only slightly smaller than sales for Sears (11.4%), catalog showrooms (12.5%) and full-line department stores (13.6%).

Still holding the lion's share of the market, though, are a-v specialists, with 24.5% saying they bought their last headphone stereo at one of the specialists.


What brand headphone stereo did you buy?

Source: *Chain Store Age*/Leo J. Shapiro & Associates

As the retail market fragments, the number of brands consumers are willing to buy is also increasing. Though Sony still holds a commanding lead with 33.8% of those who bought in the last year reporting they purchased a Walkman, Panasonic (14.9%), Sanyo (10.8%), General Electric (9.5%) and various private label store brands (6.8%) are all carving out healthy shares.

However, nearly 1 in 4 consumers (24.2%) in the most recent MarkeTrends survey report buying from a growing list of manufacturers which include Soundesign, Sharp, Hitachi, Magnavox, Toshiba and Aiwa.

On the average, consumers in the poll spent a median $69 for their last headphone stereo, somewhat less than the $79 they expect to pay for their next one. Seven out of 10 report buying cassette and radio combinations, while 20% purchased cassette-only units. ☐

TAD's: Intention to buy jumps 54%

The East South Central region shows the most sales potential for TAD's.

Telephone answerers hot in Sunbelt, chilly in North

Geographic area	Sales potential score*
New England	48
Middle Atlantic	116
East North Central	77
West North Central	50
South Atlantic	128
East South Central	175
West South Central	134
Mountain	40
Pacific	125

*Chart measures the number of households in each area and compares it to the number of potential buyers in each area. A higher number indicates a greater potential for sales.

Source: *Chain Store Age*/Leo J. Shapiro & Associates

After years of slow growth, telephone answering devices have suddenly piqued consumer interest. From 1981 to 1984, MarkeTrends research tracked a leisurely 25% increase in the number of households that said they expected to buy an answering machine.

In the last 16 months, however, the number who say they will buy an answering device has jumped another 54%. The latest MarkeTrends survey records the highest level of consumer interest in the five years of consumer polling.

Industry pundits are attributing the sudden spurt of consumer interest to everything from more working women to more single-person households. Code-A-Phone marketing vp Paul Newman postulates a simpler answer—the product's time has come.

Newman says that with telephone answering devices now exceeding a 10% household penetration, they have hit a crucial point in the marketing cycle where they will begin to create wider demand as more people are exposed to their benefits.

Thus far, though, interest in telephone answering machines is most heavily concentrated in certain geographic areas (see chart). According to the MarkeTrends poll, buying intentions are highest in the South Atlantic, South Central, Mid Atlantic and Pacific states.

Consumer buying plans are lowest in the North Central and Mountain states, as well as in New England. ☐

Shoppers learn tricks of the trade

For some time now retailers have thought that selling stereo systems was nothing more than playing a game dominated by a simple arithmatic—watts per channel divided by price. It seems the customer has also learned the rules of the game.

In the most recent MarkeTrends poll, 6 out of 10 households that bought a stereo system within the last year report that price and discount were the prime determinants in their choice of a specific store to shop. For comparison, only 40% of those who bought a telephone answering device cited price as their main criterion.

The next most important factor customers use to pick a store for a stereo is convenient location, cited by 17.1% of those interviewed and suggesting that consumers will buy a stereo at the outlet nearest home and which has the lowest price/performance ratio.

Why did you buy a stereo at a specific store?*

Price/discount	62.9%
Location/convenient	17.1
Quality	8.6
Selection	5.7
Credit	5.7
Reputation	2.6

*Totals more than 100% due to multiple responses

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Private label store brands are the main beneficiary of the customer's current mind set. Results of the current MarkeTrends survey mirror those of the January 1986 poll where private label brands took the largest share of an otherwise fragmented marketplace.

According to MarkeTrends research, store brands account for 18.7% of unit sales, with Sears alone selling about 1 in 10 of all home stereos in the last year. Following were Radio Shack's Realistic brand with 6.7% and J. C. Penney with less than a 2% share.

In the MarkeTrends study, no nationally advertised brand garnered more than a 10% share. The top 10 national brands add up to less than half of all stereos sold. ☐

Where's the Nordstrom's?

Is the glass half-empty or half-full? *Chain Store Age* MarkeTrends consumer polling shows that price is by far the single most important reason why customers choose a particular store when buying home electronics.

For example, when asked to use just one word to describe why they bought at a specific outlet, 62.9% of families which bought a stereo last year report that either price or discount were the factors which determined their choice of a store.

The results are near uniformly true, despite which product category is tracked. About half of portable headphone stereo customers say that discount is what led them to buy, and 40.6% of telephone answering device customers say the same.

It is the customer, then, who is driving the seemingly endless round of price promotion which now plagues the industry—right? Well, the answer to that depends upon whether the glass is half-empty or half-full.

Here is the other way to look at these same statistics: 37.1% of families which bought a stereo last year shopped at a particular store for a reason *other than price;* half of portable headphone stereo customers bought for a reason *other than price;* and 59.4% of telephone answering machine customers bought for a reason *other than price.*

The other reasons customers cite run the gamut from quality to selection, credit availability, location, guarantee, reputation and that old bug-a-boo, service.

Yet a quick perusal of advertising for home electronics in just about any major market leaves one with the distinct impression that price promotion, especially the now endlessly repeated "no price lower anywhere or your money back" variety, is the only strategy to win sales.

Certainly, there is a price-oriented shopper. In fact, the very numbers cited above show that they constitute somewhat more than half the market for home electronics. While price-oriented shoppers are indeed the largest group, they also represent the least profitable market segment.

If electronics retailers are to attract the other half of the market—the really profitable half—then they will need to develop strategies and advertising plans which are more than just price promotion based.

In apparel, another industry threatened from an onslaught of off-pricers and deep discounting, Seattle-based Nordstrom's has discovered that by taking the high road and providing true service to its customers, it can both retain margins and increase volume. Nordstrom's successful California rollout is proof that its strategy can work.

What home electronics retailing needs is its own version of Nordstrom's—a company that can show the rest of the industry how to both sell and make a reasonable profit. In fact, there are already some examples, albeit in some unlikely places.

For one, check out the latest mailing from American Express Merchandising Services, which is increasingly looking like a more traditional retailer—but at full margin.

American Express now offers good, better, best assortments in electronics with a breadth which rivals some department stores. The trick—convenience and no finance charges with, in some cases, over two years to pay.

Admittedly, taking the high road may not rack up huge market share gains. But then, Mercedes-Benz does not have the lion's share of the automobile market. Yet I am sure Mercedes would view the glass as half-full.

—Rick Gallagher

Consumers keen on housewares

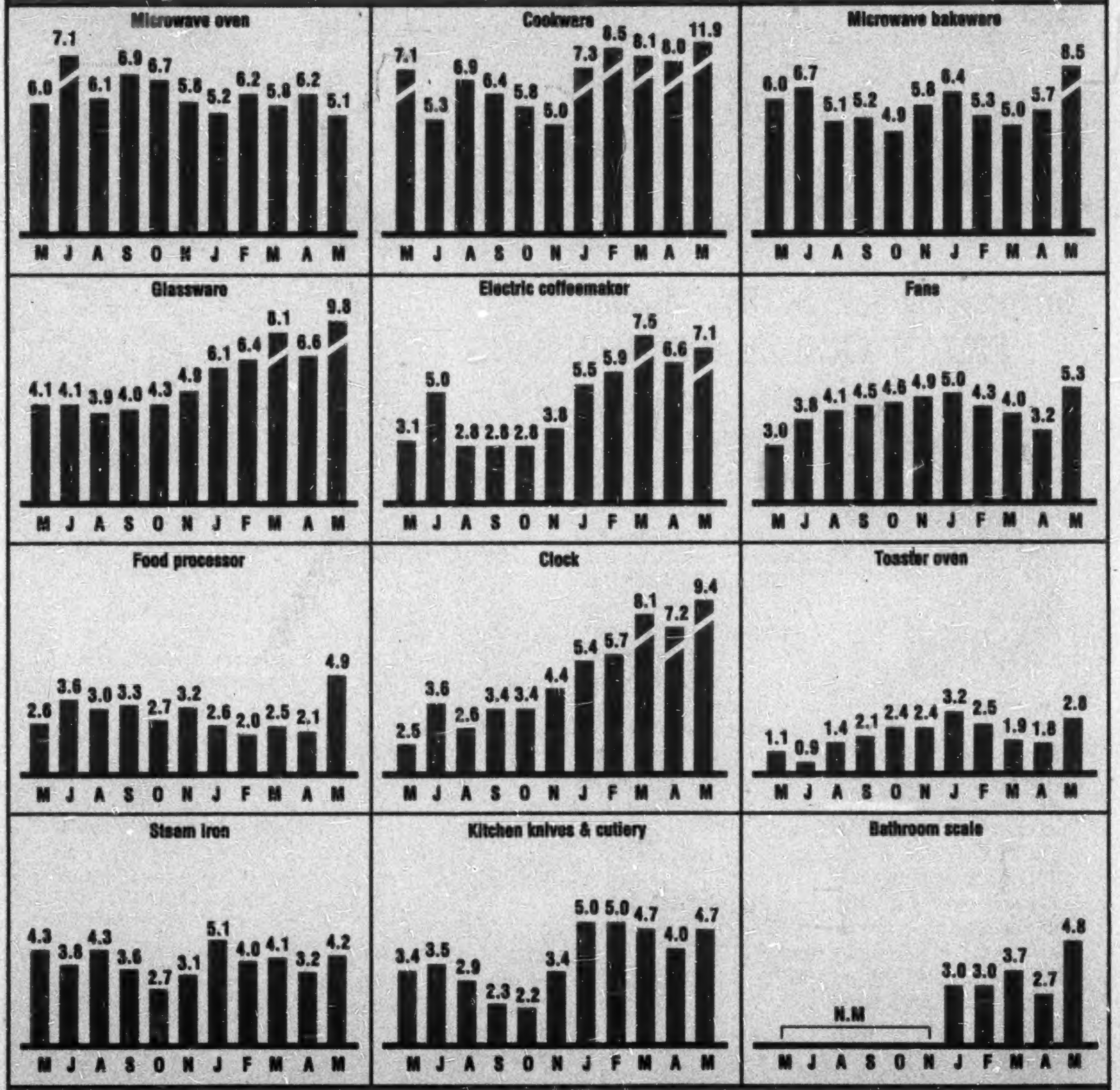
Housewares products have rallied strongly from an overall drop in interest level last month. The *Chain Store Age* MarkeTrends survey this month finds consumers' intention to buy setting 12-month records in most of the categories.

Only microwave ovens showed a decline, and it was not a serious one—just an 18% drop from last month's results. The remaining categories battled among themselves as to which would show the most dramatic improvement.

Gains of 30%, 50% and 66% were not uncommon. If interest holds, this should lead to more traffic in the housewares sections.

While intention to buy microwaves flagged a bit, previous improvements in that category are sparking interest in microwave bakeware. Boosted by heavy vendor advertising, microwave bakeware broke free of its nearly lock-step adherence to microwave oven movements.

But the real winner was the food processor. Oskar's earth-shaking introduction apparently continues to register after-shocks. Buying intention surged 133% to tower over the peaks and valleys of late 1985 and early '86. ☐



1985-1986 Consumer Buying Intentions*†

*% of households intend to buy N.M. = Not Measured †June and December 1985 not measured Source: Chain Store Age/[illegible]

Food processors see market shift

Dept. stores gain larger percentage of the food processor market.

The food processor market may be grinding its way through market share shifts, *CSA* MarkeTrends research indicates. More consumers seem aware that all types of stores are offering the product at promotional prices. Several months ago, MarkeTrends found that although consumers thought of discount stores as the place to find the item at the right price, they ended up buying at department stores.

The department store image still has not caught up with reality. But it may be getting closer.

In the May 1986 survey, households planning to buy a food processor in the next 12 months named discounters as their store of choice 25.6% of the time. That is a slight drop from the January survey, when nearly 38% of the might-buy respondents intended to shop the discount stores. Share lost by the discounters was picked up by the Big 3. The Sears, Penney, Ward group got 25.6% of the mentions from households planning to buy, compared with a scant 3.4% in January.

In fact, however, purchases actually made were mainly rung up in department stores. That was the case in January, and it was true again in May, with department stores named as the purchase site by 25.7% of those who had bought food processors in the past 12 months.

What brand food processor did you buy?

Oster	23.4%
Sunbeam	21.9
Cuisinart	10.9
Store Brand	10.9
Hamilton Beach	9.4
Moulinex/"La Machine"	4.7
General Electric	4.7
Kitchen Aid	3.1
Other	7.8

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The latest survey shows that price perceptions of the product are accurate. Slightly more than 26% of the intending-to-buy group expect to pay between $51 and $99. Almost exactly that percentage actually made a purchase in that price range.

With 10.1% of those polled, buying intention is at record highs. Sunbeam's downsized media star, Oskar, may have whipped up interest, yet Sunbeam was not the brand most often chosen by either actual or potential buyers. For both respondent categories, the Sunbeam name ran second to Oster, a Sunbeam division that makes the Kitchen Center. An Oster spokesman describes the Kitchen Center as a food preparation appliance and not a food processor. In her words, "It's not a Cuisinart, I can tell you that." The MarkeTrends research suggests that consumers may be confused about product definition. ☐

New features press irons forward

Upgraded features on steam irons may have increased their value in consumers' eyes. According to *Chain Store Age* MarkeTrends research, households planning to buy a steam iron in the coming year expect to pay more than did last year's purchasers.

Of the households reporting a purchase in the last 12 months, only 31.8% paid more than $25 for an iron, with a surprising 43.9% spending under $20. In contrast, 61.5% of the households with buying intentions expect to pay between $26 and $50.

Despite higher price expectations, the market for steam irons is still on a warm temperature setting. Slightly more than 4% of the households surveyed said they might buy an iron in the coming year, continuing a year-long pattern of fairly steady consumer interest. Reporting past-year purchases were 10.1%.

Lighter weights, cordlessness and automatic shut-off may have enhanced the product's perceived value, but consumers will want the best bargain available. Price, cited by 57.5% of last year's buyers as the main determinant in choosing where to buy the product, was given even heavier weight by the intending-to-buy group.

It is possible that shoppers expecting to pay $26 and up have been out of the market for some time and are unaware of the product's current price tags. The research suggests that effective advertising of price promotions and rebate programs could pay off in delivering consumers to retailer's doors.

Discounters got the most store-preference votes from both those who bought and those who might. ☐

How much do you expect/did you pay for a steam iron?

	Might Buy	Did Buy
[illegible]	[illegible]	[illegible]
$11-15	7.7	24.4
[illegible]	[illegible]	[illegible]
$21-25	7.7	12.2
[illegible]	[illegible]	[illegible]
$31-35	7.7	3.7
[illegible]	[illegible]	[illegible]

Source: *Chain Store Age*/Leo J. Shapiro Associates

Clocks spring toward fashion

Price is the primary concern of shoppers who consider buying a clock.

Now that quartz technology is firmly entrenched, many consumers want a clock in every room. According to current *CSA*/MarkeTrends research, time was flying out of the stores during the past 12 months. More than one-fifth of the households surveyed reported past-year purchases of a clock.

The category should remain hot, with 9.4% of the sample saying they plan to buy a clock in the coming year. It is a trend that vendors attribute to the product's new fashion looks. "Lately, people are redecorating with accessories rather than changing major pieces of furniture," says Bill Reidl, division product manager of Bulova Clocks. Reidl feels that clocks are now viewed as part of a room's decor, much the way lamps are.

This is one decorative accessory for which consumers do not want to pay much. Asked how much they spent for a clock, nearly 60% of the past year's purchasers reported prices of $20 and under. Yet for 21.4% of this group—a significant portion—selection played the leading role.

Why shoppers might/did choose a store to buy clocks

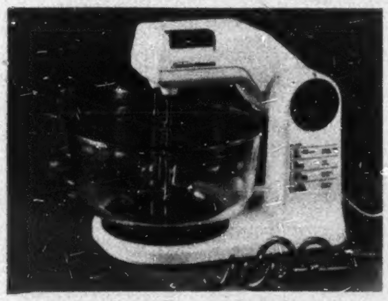
	Might buy	Did buy
Price	[illegible]	[illegible]
Selection	17.0	21.4
[illegible]	[illegible]	[illegible]
Satisfaction	6.4	2.1
Location/ Convenience	[illegible]	17.1
Other	14.9	13.5

Source: *Chain Store Age*/Lee J. Shapiro & Associates

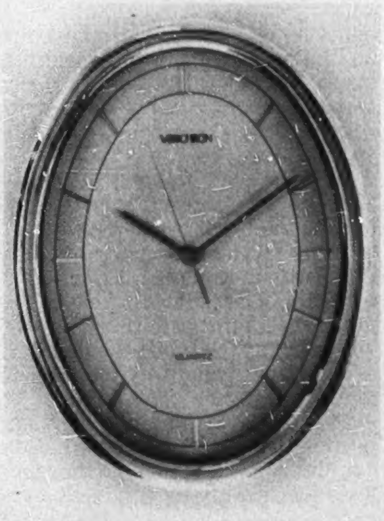
The research indicates that this is a battlefield ripe for a marketshare war. Of households in the sample that actually bought clocks, 34% made their purchases in discount stores. Only about 19% went to department stores, while a scant 11.3% shopped Sears, Penney or Ward.

But with some discounters nervous about carrying daring fashion looks, department stores may have a chance to up their share. Primary-colored plastic clocks have been trending toward the low-end. But some manufacturers have plans to correct that. ☐

Sunbeam Appliance Company introduces the Sunbeam Mixmaster High Efficiency stand mixer. It easily mixes, beats or whips and even kneads bread dough, all whisper quietly. The mixer is compact and space saving. Its scaled-down size and slim, smart design almost conceals its ability to perform heavy duty mixing tasks. It is white and has a suggested retail price of $99.95. *(Sunbeam Appliance Company, P.O. Box 1570, 1333 Butterfield Road, Downers Grove, Ill. 60515.)*



Verichron makes a contemporary design statement with its new sleek and sophisticated quartz wall clock design. The Supreme, a graceful oval, features a champagne-gold background with a brasstone dial ring and raised hour markers. The surrounding frame is finished in bright brass. The suggested retail is below $20. *(Harris and Mallow Products Inc., 651 New Hampshire Ave., Lakewood, N.J. 08701.)*



Kenney Window Fashions has developed a made-to-measure window fashion program geared to the needs of mass merchants. This new made-to-measure program builds on Kenney's aluminum mini and micro blind business, expanding the product assortment to encompass additional window product categories, including vertical blinds, wood mini blinds, pleated shades, vinyl micro blinds and decorative window shades. The company's objective is to provide a focused assortment of the most popular colors and styles, laid out in a consumer sensitive format. *(Kenney Manufacturing Company, 1000 Jefferson Blvd., Warwick, R.I. 02886.)*

Home textiles billow out

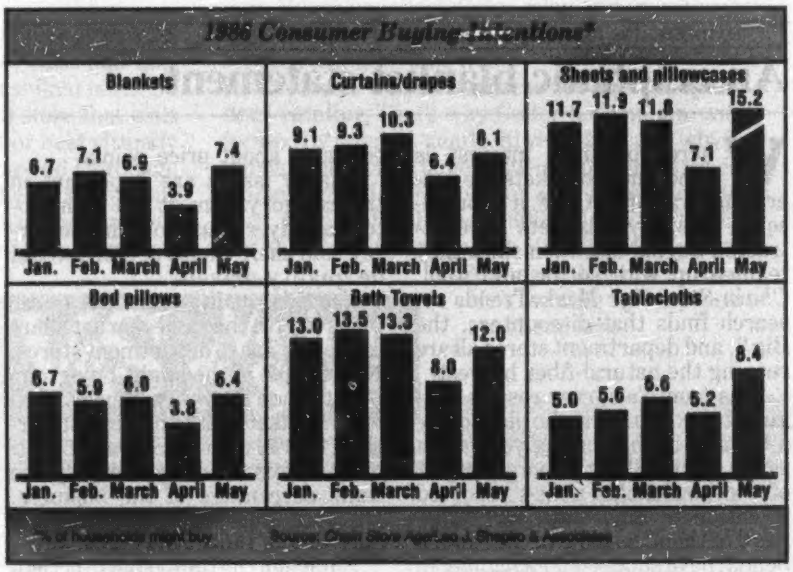
Sheets and pillowcases have emerged from the mangler to be shaken out with a smart snap. *Chain Store Age* MarkeTrends research this month found 15.2% of the households surveyed intending to buy these items. That is an enthusiastic rally from the previous month's slight decline.

Unfortunately, many of these intentions are likely to be forgotten soon. This month's survey information was gathered during the frenzy of January white sales. The figures reflect a price-promotion "adrenaline" effect that may in fact be unhealthy for the category. The temporary high is even more evident in the figure for households in the active market. Nearly 6% of those sampled reported shopping for sheets and pillowcases in the past month.

Curtains and drapes recouped much of the buying intention they lost last month. But interest has not revived to levels posted the first quarter of this year. Possibly, the category is feeling the effects of gains made by hard window treatments. However, MarkeTrends results still signal growth in this area, which could be further stimulated between the hard/soft window treatment combos now getting vendor promotion (see related story).

Although intention to buy curtains and drapes is flagging, there is a hopeful sign in the 8.1% of households who said they might buy. Generally, about twice the number of intend-to-buy households actually do make pruchases. If that is the case with curtains/drapes, the category will grow.

But that same rule of thumb spells trouble for bath towels. More than one-fourth of the households polled had bought towels in the past years, but only 12% expressed buying intentions. Even if twice the potential buyers are converted to purchasers, towels will get a rubdown. ☐



*% of households might buy

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Tablecloths look high and low

The table is set for growth in one section of domestics. The most recent *Chain Store Age*/MarkeTrends survey found consumers keenly interested in tablecloths. Department stores and discounters got nearly equal shares of business from the 14% of the sample reporting last year purchases of tablecloths.

It could be coincidence, but that market share breakdown suggests that the lowest and highest ends are hotter than the middle. Two active areas, according to retailers, are fashion vinyls and formals. Consumers may be shopping department stores for their lace and linen, the discount stores for their vinyl.

The high-end/low-end split is also evident in the prices that last year's purchasers paid for the product. More than one-half spent $15 or less, but a significant 25.3% shelled out $21 and up.

Formal and fashion vinyl tablecloths are seeing strong sales.

Slightly more than 8% of the households surveyed said they might buy a tablecloth in the coming year. The prices they expect to spend are concentrated on the lower end.

How much did you pay for your tablecloth?

$ 10 and under	48.4%
$ 11- 15	15.4
$ 16- 20	9.9
$ 21- 25	5.5
$ 26- 30	4.4
$ 31- 35	6.6
$ 36- 50	4.4
$ 51- 99	3.3
$100-124	1.1
$125-199	0.0
$200-299	1.1

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The research indicates that, once in the stores, consumers can be enticed by the pricier formals, ultimately spending more than they had planned.

There seems to be enough heat on both ends of the price spectrum to radiate warmth for all kinds of retailers. At Emporium-Capwell, assistant table linens buyer Don Phillips says that formals are the biggest growth area. The San Francisco-based chain carries a deep selection of formals year-round, offering vinyls only in the warm-weather seasons at most of its stores. However, Phillips adds that all kinds of tablecloths are moving well for Emporium Capwell.

"People are buying more formals. I think we're going back to what Grandma had," says Phoebe Nelson Oshirak, co-owner of The Linenbar in Lewisburg, Pa. Although the year's last quarter is always her busiest season, Oshirak carries few Christmas novelty cloths, because "there's too much of it around," she says.

This is one category of merchandise where retailers seem to stay off one another's turf. Shoppers know where to go for the kind of tablecloth they want, and no single type of retailer approaches 50% in marketshare. ☐

An emphatic blanket statement

Where consumer interest is concerned, blankets are generating warmth. Once a troublesome category, blankets have attracted buying intention since they teamed up with cotton and wool. *Chain Store Age* MarkeTrends research finds that discounters, the Big 3, and department stores all are reaping the natural-fiber harvest.

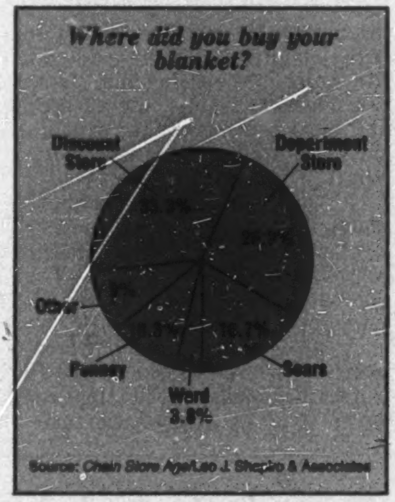
This month's survey results suggest that consumers who plan to buy a blanket in the coming year are a savvy group. Slightly more than 7% of the households polled reported intention to buy, and nearly one-third of them, or 2.3% of the sample polled, have shopped for a blanket in the past month. Even those not in the active market appeared knowledgeable about price points.

Quality issues are important in this category. Almost 17% of the potential-buyer households in the survey said their choice of store would be quality-driven.

Yet this quality-conscious group plans to give the same market share to the Big 3 as to department stores. Nearly 36% of the might-buy group plan to shop Sears, Penney or Ward for a blanket, with the largest portion (19.2%) naming Sears. Department stores would get exactly the same percentage of the business. Discount stores were the choice of only 22% of those who might buy.

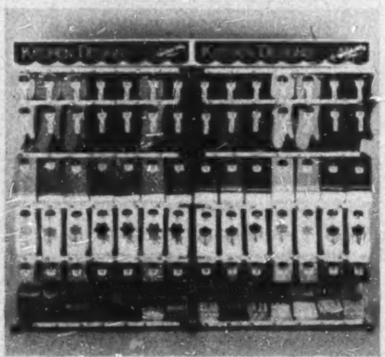
But when the time came to actually make the purchase, discounters scored higher, drawing 33.3% of the business from households that bought a blanket in the past year. The Big 3 were close behind, with nearly 31% of the market, while department stores trailed slightly with almost 27%.

Consumers apparently are discovering that natural-fiber blankets are not confined to department stores. Cotton thermals and sheet blankets have passed the test at several discount chains. Cotton is "doing fantastic" at Meijer Stores, says Tom Vanden Elst, domestics buyer for the Michigan-based discounter. He reduced print sku's to make way for a cotton thermal retailing at $14.97 on his lead size. ☐

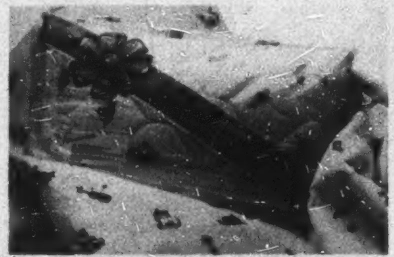


Source: Chain Store Age/Leo J. Shapiro & Associates

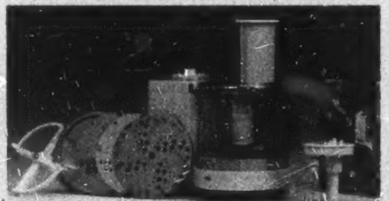
Diana Home Fashions announces the introduction of a group of kitchen textiles/tabletop linens/housewares accessories. Included are quilted potholders, oven mitts, tablecloths, placemats, napkins and aprons, all treated with Scotch-Release fabric treatment. Additionally, the company has revamped its in-store display fixtures, expanding them by one tier to include a sixth tier of baskets. *(Diana Home Fashions Inc., 350 Fifth Ave., New York, N.Y. 10118.)*



Dundee introduces a nursery gift set in a two print assortment of Tramp Bears and ABC. Shown here is the ABC pattern. The three piece set includes: A quilted blanket, 100% cotton receiving blanket, and a stretch end crib sheet. The set will retail at approximately $20. *(Dundee Mills Inc., 111 W. 40th St., New York, N.Y. 10018.)*



Braun Inc. introduces the Multipractic Plus UK-11, a universal, easy-to-use food processor that serves as a combined mixer, food chopper, slicer/shredder, grater, blender and cocktail shaker all in one. The Multipractic Plus performs all its functions with just four inserts: the blade, the slicer/shredder, the French fry cutter and the grating disc. It also includes a whisk attachment and a fully illustrated recipe book. Suggested retail price is $109.95. *(Braun Inc., 66 Broadway, Route 1, Lynfield, Mass. 01940.)*

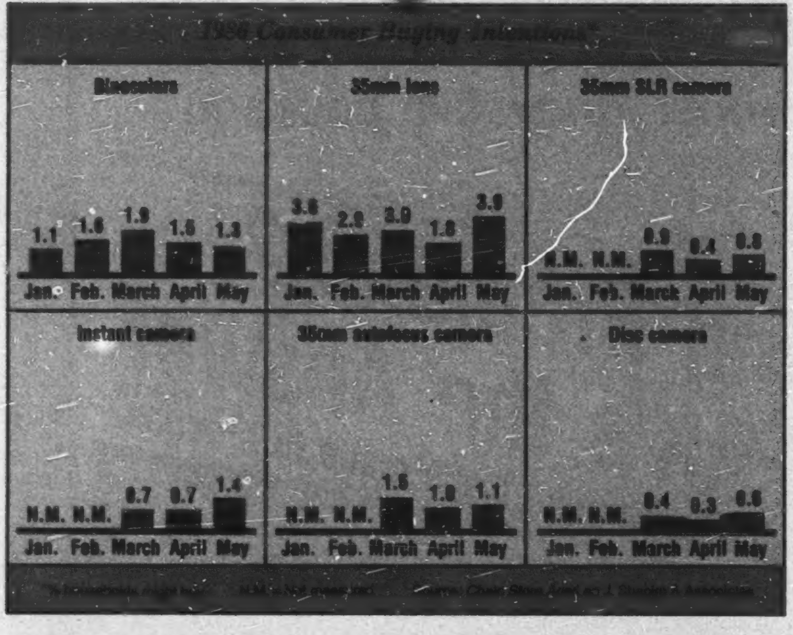


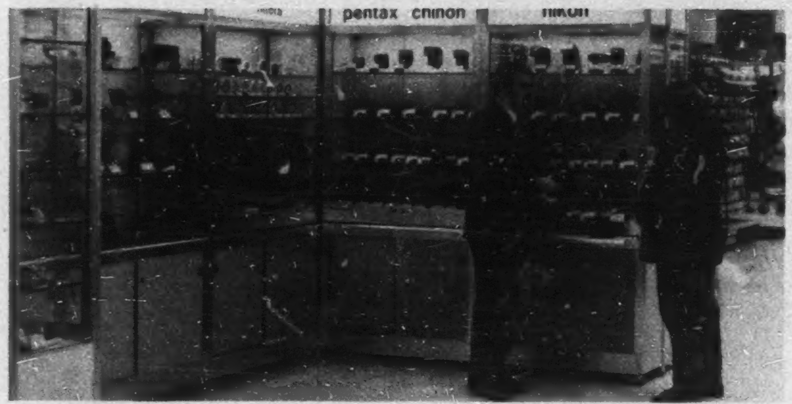
Camera customers confused

Does the average customer know the benefits of owning a single lens reflex camera, or for that matter a 35mm autofocus, or even a disc camera? According to *Chain Store Age* MarkeTrends research, customers are awash on a sea of misinformation.

With nearly all camera advertising promoting either the end product—photographs themselves—or ease of operation, the MarkeTrends survey suggests that manufacturers may be losing an opportunity to move the customer up the line. If a customer does not know what an SLR is, will he ever buy one?

Customers in the most recent MarkeTrends poll reveal themselves particularly unaware not only of the differences between camera types, but also of just what equipment they already own. The differences among SLR, 35mm autofocus, disc and even instant cameras appear lost on the average shopper.





Camera manufacturers need to address a growing market: the advanced amateur.

From the survey results it is apparent that some 35mm autofocus owners think they already own SLRs. Though autofocus cameras outpaced SLRs in 1985, in the MarkeTrends survey 33.7% of those who bought a camera last year say they bought an SLR, compared to 25.9% reporting they bought an autofocus.

Even some disc and instant camera owners are confused about their purchase. For example, 5.6% of those who say they bought an SLR within the last year report buying Kodak, which has not even marketed a single lens reflex camera since 1970. Instead, they probably bought one of Kodak's disc cameras.

Similarly, 6% of those who say they bought a disc camera last year say they purchased from manufacturers such as Polaroid and Nikon, which do not market such cameras.

Though it is not uncommon in consumer polling for respondents to give occasional incorrect answers (in fact, it was the repeated mention of Sony in marketing surveys about car stereos, a product it did not then manufacture, that led Sony to market autosound products), the customer confusion about cameras is far above the norm.

With more and more of the SLR business moving into self-service and low-service channels of distribution (20.1% of households in the poll report buying a camera at a discount store last year), the customer's lack of information could be hampering opportunities to move customers up the line to more sophisticated and more profitable cameras.

Part of the blame rests with a near industrywide practice of dividing potential customers into only two groups for advertising and marketing purposes: amateurs who are looking for snapshot cameras, and hobbyists with more sophisticated requirements.

Recent history, including Canon's success with its AE-1 series and Minolta's Maxxum success, point to a third market: advanced amateurs who are still snapshot photographers, but who want the added quality and features of SLRs.

Though the demographics for SLR owners are considerably upscale compared to disc camera owners (median household income of $31,000 for SLRs, $27,000 for disc users), the overlap between the two groups is large enough to project that a significant number of even disc owners could be moved up the line.

Unless vendors change their marketing plans, that job will be left to the sales associate of the floor who often is either not fully informed about the product or cannot be found. ☐

Earnings hurt by LIFO charges

Fourth quarter LIFO credits in 1984 brought an earnings bonanza to many retailers, but in 1985's final quarter the credits were substantially lower. In some cases the credits turned into charges, causing difficult year to year earnings comparisons despite modest sales gains.

Leading the list of losers for the fourth quarter were the Big 3 mass merchants. Though J. C. Penney reduced both advertising and promotions as a per cent of sales in the final quarter and posted a 3.8% earnings gain, its year-end figures dipped 8.6%.

At Sears, profits were more disappointing, with fourth quarter results for the U.S. Merchandising Group falling 25.2%, and 12 month totals dropping a hefty 31.8%. Earnings at Montgomery Ward were down 18.8% for the quarter and 20.8% for the year.

Nowhere was the effect of LIFO more evident than at K mart, which saw a $19.6 million pretax LIFO credit in 1984 change to a $58 million charge in 1985. Adjusting for the difference would result in an earnings gain from continuing retail operations of 9.5%, compared to the 5.5% loss reported without the adjustment, according to K mart officials.

Wal-Mart, meanwhile, reported its 21.7% quarterly earnings gain and 20.9% yearly hike without footnotes. Corporate gross margins slipped 1.3% for the year, but were largely the result of Sam's Wholesale Club's maintained gross margin of 9%-10%. Discount store markdowns rose only slightly for the year.

Dayton Hudson's Target discount store division turned an 11% annual sales increase into an operating profit gain of 18%. Mervyn's 18% revenue hike, however, translated into a more modest 10% operating profit increase. Despite a 6% sales decline, the department store division recorded a 14% gain in operating profits. Corporate profits were down 9.4%, reflecting both a LIFO charge and unfavorable comparisons due to the sale of Diamond's and John A. Brown in 1984.

Federated Department Stores recorded a 6% annual earnings gain, excluding unusual items including costs associated with the consolidation of Lazarus-Shillito Rikes and Richway-Gold Circle. Federated also reported that planned start-up costs for MainStreet store openings in 1985 further affected earnings.

Mercantile turned in one of the few stellar performances, recording a 20.9% gain in annual earnings off of a 10% sales increase. Allied posted a 13.2% increase.

Discounters rally in soft retail year

	4th quarter (000 omitted)			Full year (000 omitted)		
Chain	1984	1985	% change	1984	1985	% change
Sears[1]	361,000	270,000	− 25.2	655,000	447,000	− 31.8
Penney	216,000	224,000	+ 3.8	438,000	392,000	− 8.6
Ward	69,000	58,000	− 18.8	53,000	42,000	− 20.8
Subtotal	646,000	552,000	− 14.6	1,146,000	886,000	− 22.7
K mart[2]	201,200	248,300	+ 23.4	498,700	471,200	− 5.5
Ames	11,701	18,019	+ 54.0	28,516	40,367	+ 41.6
Jamesway	6,020	3,212	− 46.6	13,264	9,252	− 30.2
Rose's	10,747	10,677	− 0.7	23,898	20,322	− 15.0
Wal-Mart	109,368	133,057	+ 21.7	270,767	327,473	+ 20.9
Woolworth	92,000	106,000	+ 15.2	141,000	177,000	+ 25.5
Zayre	34,307	36,480	+ 7.3	78,033	94,647	+ 21.3
Subtotal	465,043	555,745	+ 19.5	1,054,178	1,140,261	+ 8.2
Allied	91,659	88,122	− 3.9	140,733	159,275	+ 13.2
Associated Dry Goods	81,263	80,262	− 1.2	120,657	119,696	− 0.8
Carter Hawley Hale[2]	32,573	18,923	− 41.9	27,130	48,025	+ 77.0
Dayton Hudson	148,671	153,287	+ 3.1	259,346	283,620	− 9.4
Federated[3]	173,500	178,000	+ 2.6	286,700	303,900	+ 6.0
May Co.	110,000	119,900	+ 9.0	214,100	235,400	+ 9.9
Mercantile	36,455	46,734	+ 28.2	84,769	102,448	+ 20.9
Subtotal	674,121	685,228	+ 1.6	1,133,435	1,252,364	+ 10.5
Child World	11,668	12,589	+ 7.9	8,402	9,368	+ 11.5
Oshman's	7,846	7,730	− 1.5	10,069	8,536	− 15.2
Toys "R" Us	79,906	88,108	+ 10.3	111,424	119,774	+ 7.5
Subtotal	99,420	108,427	+ 9.1	129,895	137,678	+ 6.0
The Gap[2]	7,130	19,940	+ 9.1	12,970	34,437	+165.5
The Limited	33,617	56,107	+ 66.9	92,495	145,317	+ 57.1
Edison Bros.[2]	7,300	11,600	+ 58.9	28,100	21,700	− 22.8
Subtotal	48,047	87,647	+ 82.4	133,565	201,454	+ 50.8
Syms	5,740	4,418	− 23.0	12,712	12,715	N/C
Clothes Time	563	1,406	+149.7	3,310	10,005	+202.3
Ross	7,140	7,386	+ 3.4	6,668	7,055	− 5.8
Subtotal	13,443	13,210	− 1.7	22,690	29,775	+ 31.2
Total	1,946,074	2,002,257	+ 2.9	3,619,763	3,647,532	+ 0.8

[1] U.S. merchandising only. [2] Continuing operations only. [3] Excluding unusual items.
Source: *Chain Store Age* research

CHH debt ratings under review

Moody's Investor's Service has placed the long term debt ratings of Carter Hawley Hale Stores under review for possible downgrades. Under review are CHH debentures, notes and Carter Hawley Overseas Finance's guaranteed notes, all currently rated Baa3.

In announcing the review, the rating agency cited a sharp decline in the company's fourth quarter earnings and fears that CHH would continue to underperform the rest of the department store industry.

Carter Hawley Hale's fourth quarter earnings were $18.9 million in 1985, compared to $32.6 million in 1984. For the year, however, earnings from continuing operations ran 77% ahead of 1984 results.

Moody's reviews, scheduled for completion before summer, might end up a largely academic exercise. CHH debt instruments are only lightly traded, and the company reports no new debt offerings are contemplated in 1986. Approximately $600 million in debt is under review.

Hard lines soften, apparel dresses up

The 17 retail companies tracked by *Chain Store Age* recorded an 8.8% sales increase in March, but the good news was tempered by a disturbing trend for hard goods lines. Most of the gains were attributable to Easter apparel sales, while big ticket durables began to slump.

Nowhere was the sluggishness in hard goods more evident than for the electronics specialists. Tandy's U.S. Radio Shack stores recorded comparable results only equal to last year's totals. City of Commerce, Calif.-based The Federated Group, which has already scaled down its expansion plans to only 15 new units this year, reported same-store figures down 1%.

Richmond, Va.-based Circuit City recorded comparable-store totals 8% ahead of the same month in 1985, but the comparison was favorably skewed by the closing of marginally performing Lafayette stores in New York and Zody's leased departments in California and Arizona.

Amid general retail weakness, Wal-Mart continued to turn economic woes into success. Though many of its operations are located in struggling Oil Patch and farming regions, Wal-Mart's 18% same-store gain for the month proves that in hard times more customers turn to the discounter.

Among the Big 3 mass merchants, both Sears and Montgomery Ward continue to struggle. Sears U.S. Merchandising Group sales were unchanged from last year's totals and for the two-month fiscal year are running 1.2% below 1985 levels. Ward's volume dipped 2.8% for the month.

Dayton Hudson reported net retail sales up 9.4% for the month, but results were uneven across its four business segments. Mervyn's recorded a 23% increase, and department store sales were up 10%. Lechmere and B. Dalton also had a 10% gain, but Target was up only 2%, reporting a mixed response to promotional events during March.

The same pattern held true for May Department Stores. Same-store results were up 13.3% for its Volume Shoe stores, while department stores recorded a 5.2% hike on a store-for-store basis, and its Venture discount division totaled a more modest 3.3% comparable store gain.

At Associated Dry Goods the department store divisions also outpaced the discount divisions, but by a smaller margin. For the month of March ADG department stores recorded an 8% gain, while discount store divisions posted a 6.1% increase.

Bucking the trend toward weak hard lines sales, discounter Bradlees reported a 10% hike in same-store results, which it attributed in part to home store success.

"Apparel and accessories sales were particularly strong," said parent company Stop & Shop chairman/ceo Avram J. Goldberg "and we continue to enjoy outstanding sales in our housewares, home furnishings and home entertainment departments."

Carter Hawley Hale chairman/ceo Philip M. Hawley, whose department stores recorded a 1.4% drop in comparable store results for the month, was more typical in his review of the March results. "Apparel sales were good during the month," Hawley said, "but overall results were hampered by weakness in the home store area."

Sales march forward 8.8%

		March Sales*		Stores		2-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,2]	N.C.	2,230,000	2,231,300	799	797	3,800,500	3,846,900	− 1.2
Penney[2]	+ 6.6	1,131,000	1,061,000	1,906	1,996	1,872,000	1,751,000	+ 6.9
Ward[1,3]	− 2.8	323,800	333,300	293	320	565,100	590,000	− 4.2
Dayton Hudson	+ 9.4	800,500	731,600	1,217	1,145	1,343,100	1,206,200	+ 11.4
Federated[4]	+ 6.6	744,300	698,100	485	466	1,255,900	1,189,600	+ 5.6
May Dept. Stores	+ 11.2	484,900	436,000	2,096	1,888	794,400	718,100	+ 10.6
Associated Dry Goods	+ 7.3	398,100	371,000	347	334	654,500	617,000	+ 6.1
Allied Stores	+ 9.8	383,800	349,700	667	604	648,900	601,600	+ 7.9
Carter Hawley Hale	+ 4.0	334,000	321,100	287	269	586,900	566,500	+ 3.6
Mercantile	+ 8.3	183,600	169,600	80	79	289,400	267,700	+ 8.1
K mart[5]	+ 7.6	2,034,100	1,890,000	2,062	2,054	3,300,200	3,147,300	+ 4.9
Wal-Mart	+ 44.0	854,000	593,000	862	765	1,470,000	1,028,000	+ 43.0
Zayre	+ 26.7	463,500	365,900	993	860	723,700	550,100	+ 31.6
Bradlees	+ 27.8	147,000	115,000	155	132	245,000	191,000	+ 28.3
Tandy	+ 11.1	256,795	231,146	N/A	N/A	505,817	442,106	+ 14.4
Circuit City	+ 32.2	49,700	37,600	68	96	100,100	72,100	+ 38.8
Federated Group	+ 25.2	33,800	27,000	60	44	61,900	47,000	+ 31.7
Totals & Averages	+ 8.8	10,852,895	9,972,346	—	—	18,217,417	16,832,206	+ 8.2

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only.

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Chain Store Age

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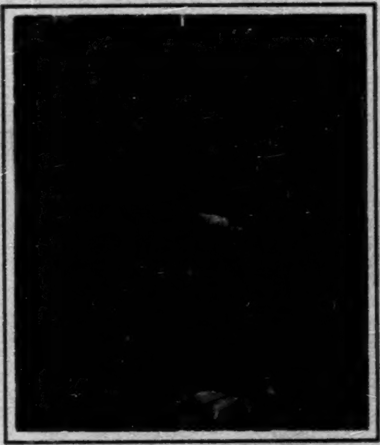

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FIRMS WITH TIGHT MANAGERIAL REINS

TRIUMPHED

1985 was not a great year for many retailers, but those that successfully controlled growth had a superb year. The winners proved that careful expansion is profitable.

Although 1985 was considered a disappointment, *discounters fared better than dept. stores.*

If there is one lesson that can be extracted from the disappointment of 1985 it is that those companies with superior systems and management can weather extraordinary events, be they economic doldrums or rapid expansion.

The struggle to integrate acquisitions hardly raised a sweat on the balance sheet brow of such stellar performers as The Limited, Dillard's Dept. Stores and Zayre Corp.

The Limited's net income was not limited by its Lerner's acquisition. It pushed ahead 77% to $48 million.

Dillard's bit off two big chunks during the last two years—Stix, Baer & Fuller in 1984 and Diamond's/John A. Brown in 1985. Its success in absorbing these units gave it the confidence to purchase earlier this year Macy's Midwest operation.

Zayre acquired 31 Gaylord stores, allowing the discount division to enter several new markets including New Orleans. Operating income of the discount stores still increased 16.1%.

Even without acquisitions, some companies demonstrated their vigor. Wal-Mart's juggernaut generated a 22% increase in store space, 32% more sales and 20.9% more net earnings.

Target's gross square footage went up a mere 6.4%, but sales were up 10.7% and operating income advanced 17.9%.

Growth did not always produce the desired short term effect. After buying the 35-store Maloney's chain, Heck's found that its systems did not keep pace with its growth. Instead of returning to profitability last year, Heck's lost $4.9 million. The losses continued into the first quarter as the Nitro, W. Va.-based company reported a $4.3 million loss vs. a $1.6 million loss a year ago.

Bradlees, too, fell victim to growth as well as growing pains. Its operating income plummeted by 64% after completing the largest ex-

Top 15 retailers dragged down by Big 3 and K mart

Company	1984 Volume (000 omitted)	1985 Volume (000 omitted)	% Sales gain	1984 Earnings (000 omitted)	1985 Earnings (000 omitted)	% Earnings change	Earnings as % of sales
1. Sears, Roebuck¹	$ 24,614,000	$ 24,454,000	− 0.7	$ 662,000	$ 472,700	−28.7	1.9
2. K mart	21,096,000	22,420,000	+ 6.3	498,700	471,200	− 5.5	2.1
3. J. C. Penney	13,451,000	13,747,000	+ 2.2	435,000	397,000	− 8.8	2.9
4. Dayton Hudson	8,009,030	8,793,400	+ 9.8	259,346	283,620	+ 9.4	3.2
5. Wal-Mart	6,400,861	8,451,489	+32.0	270,767	327,473	+20.9	3.9
6. Federated²	7,961,036	8,164,427	+ 2.6	651,500	660,900	+ 1.4	8.1
7. F. W. Woolworth	5,737,000	5,958,000	+ 3.9	141,000	177,000	+25.5	3.0
8. Montgomery Ward	6,495,000	5,383,000	−17.1	53,000	42,000	−20.8	0.8
9. May Dept. Stores	4,882,000	5,079,000	+ 3.9	214,100	235,400	+ 9.9	4.6
10. Melville	4,281,627	4,774,000	+12.0	190,386	210,812	+10.7	4.4
11. Associated Dry Goods	4,105,545	4,385,018	+ 6.8	120,667	110,000	− 8.8	2.7
12. R. H. Macy	4,065,139	4,368,400	+ 7.5	221,800	189,315	−14.6	4.3
13. Allied Stores	3,970,400	4,135,627	+ 4.2	140,772	159,276	+13.2	3.9
14. Zayre Corp.	3,191,172	4,036,016	+26.5	78,033	94,647	+21.3	2.3
15. Carter Hawley Hale³	3,724,284	3,977,813	+ 6.8	27,136	48,025	+77.0	1.2
Totals and averages	121,746,143	128,123,453	+ 5.2	3,967,157	3,883,353	− 2.1	3.0

¹U.S. and international retailing only
²General merchandise sales and operating earnings only
³Continuing operations only
Source: *Chain Store Age* research/annual reports

The top 10 publicly owned electronics chains, 1985

Company	1984 Sales*	1984 Stores	1985 Sales*	1985 Stores	% Sales change
Tandy (Fort Worth)	$2,775,455	9,018	$2,841,434	9,117	+ 2.4%
Circuit City (Richmond)	519,214	96	705,490	75	+35.9
Highland (Taylor, Mich.)	358,000	32	520,000	42	+45.3
Silo (Philadelphia)¹	321,500	97	472,500	120	+47.0
Federated Group (City of Commerce, Calif.)	220,779	40	366,630	60	+66.2
Lechmere (Woburn, Mass.)	280,200	8	348,900	10	+24.5
Crazy Eddie (Brooklyn, N.Y.)	186,227	11	262,200	23	[illegible]
Fretter (Livonia, Mich.)	110,456	27	214,264	38	+94.0
Audio-Video Associates (Dayton, Ohio)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newmark and Lewis (Hicksville, N.Y.)	112,357	26	141,500	34	+26.0
Totals	[illegible]	1,411	[illegible]	[illegible]	[illegible]

*000 omitted ¹*Chain Store Age* estimates
Source: *Chain Store Age* research/annual reports

pansion program in its history with 26 new stores equaling 23% more selling area.

Though Bradlees executives often call their chain "the department store with a difference," namely low prices, management hinted in the annual report that the price image is not universally inferred by customers. "We feel that it is important for Bradlees to be recognized as a *discount* [emphasis added] company presenting value-oriented merchandise to customers," the report states.

Price competitiveness will be emphasized on everyday and promotional goods, programs that management admits will not increase profits in the short term.

By contrast, Target's low everyday pricing strategy implemented last year did not reduce that discounter's gross margin or profit.

Though merchandising clearly has a major impact on the ability of a company to pull dollars through the store system, it is the behind the scenes network that is translating those sales into profits.

William Dillard, chairman/ceo of Dillard's, acknowledged that by crediting the company's success to the accounting, data processing and accounts receivable departments before mentioning merchandising programs. Overall, Dillard's selling, general and administrative expenses, including advertising, went up a scant 0.2% to 25.7% of sales last year.

Even Dillard's sharp eye on expenses could not match that of Mercantile Dept. Stores. Mercantile squeezed its SG&A down to 21.5% of sales from the prior year's 22.1%.

It is significant to note that the two best performing department store chains, Mercantile and Dillard's, and two of the three top discounters, Wal-Mart and Ames, have staked out markets that are smaller than many of those courted by the more glamorous companies such as Federated, Venture or Carter Hawley Hale.

Dillard's was the top ranked company in five of the nine financial yardsticks analyzed by *Chain Store Age*. Only in average sales per store, sales per gross square foot, and operating income per gross square foot did it lag.

(The nine yardsticks *CSA* uses measure not only year-to-year performance but also long term sales and operating earnings growth. On a year-to-year basis *CSA* measures sales and operating income gains, operating income as a per cent of sales, average store sales, sales and operating income per average gross square foot, and operating income return on end of year total assets. To gauge long term performance, five year compound growth rates are computed for sales and operating income.

Wherever possible, *CSA* uses figures that represent the different formats of retailing within diversified companies. For example, only department store results are included in the Dayton Hudson analysis appearing in the department store chart.)

Mercantile ranked right behind the leaders in all areas. Its $180 in sales per gross square foot and $18.85 in operating income per gross square foot more than amply demonstrated that mid-size city markets can still produce sizable returns.

Wal-Mart, of course, has been proving that verity for years. Noteworthy is its $9.6 million per store average volume, double that of Ames, another small town operator.

As a group, the Top 15 general merchandise retailers posted a miserable year. Sales increased just 5.2%, earnings declined 2.1%, while the earnings to sales ratio slipped to 3.0% from 3.6% a year ago. Almost all of the reduction, however, can be attributed to the $190 million shortfall in Sears' bottom line. Had Sears been able to match last year's earnings the Top 15's totals would have remained virtually unaltered.

The composition and order of the Top 15 changed year to year. The top four slots remained the same. Wal-Mart leapfrogged from seventh to fifth place. Montgomery Ward toppled from sixth to eighth.

Carter Hawley Hale dropped to 15th from 13th, while BATUS fell off the list, replaced by Zayre Corp.

Unless Sears makes some dramatic acquisitions or major startups this year, it may well be surpassed by K mart Corp. as the No. 1 retail company in the world. Though the Sears general merchandise chain probably still would be larger than the K mart discount division, corporately K mart would be larger.

Department stores as a class experienced what can only be described as a disappointing year compared to 1984.

In seven of the nine yardsticks analyzed, department stores as a group recorded lower figures. Only in average store sales and sales per square foot, yardsticks that almost always will rise, did improvements show up. But even these improvements were lackluster. Average store sales inched up just 3.3%. Sales per square foot edged up even less, just 2.3%. Overall sales improved 5.2%.

Discount stores fared better. Their average store sales and sales per square foot increases of 2.4% and 2.2%, respectively, were anemic. But they did manage to increase their operating income per

Dillard's and Mercantile lead department store field

Company	% change sales	% change op. inc.	Op inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% op. inc. ROA	% change compound sales '80-'85	% change compound op. inc. '80-'85
Allied	+ 2.8¹	− 2.2	7.6	$14,469,1[illegible]	$160¹	[illegible]	11.2	+ [illegible]	+ 15.3
Assoc. Dry Goods¹	+ 7.1	− 5.7	8.3	17,340,251	110	9.16	16.8	+ 4.8	+ 6.6
Carter Hawley Hale¹	+ 5.1	+ 28.7	[illegible]	[illegible]	127	[illegible]	[illegible]	+ [illegible]	+ [illegible]
Dayton Hudson¹	− 6.5	+ 14.2	8.4	30,866,493	183	15.42	16.5	+ 3.8	+ 5.3
Dillard's	+ 25.3	+ 22.4	10.6	16,[illegible]	[illegible]	13.26	[illegible]	+ 12.7	[illegible]
Federated¹	+ 1.8	+ 0.4	9.3	30,247,511	149	13.87	14.9	+ 7.6	+ 5.8
R. H. Macy	+ 7.4	− 9.5	10.4	40,742,201	[illegible]	[illegible]	[illegible]	+ 13.[illegible]	+ 14.4
May Co.¹	+ 4.9	+ 1.9	10.4	22,945,517	120	12.51	15.3	+ 7.1	+ 9.2
Mercantile	+ 10.1	+ 28.0	10.5	23,707,062	180	18.85	17.1	+ 11.2	+ 17.[illegible]
Composite	+ 5.2	+ 2.1	8.9	23,778,458	135	12.13	15.2	+ 8.8	+ 10.3

¹Department stores only
Source: *Chain Store Age* research/annual reports

Sears, Penney, Ward slip in most year to year comparisons

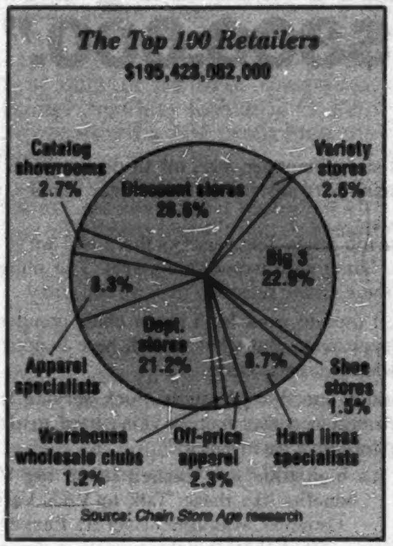
Company	% change sales	% change op. inc.	Op inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '80-'85	% change compound op. inc. '80-'85
Penney	+ 2.2	+ 0.6	7.7	$12,040,172²³	$ 98²³	[illegible]	10.6	+ 3.8	+ 10.[illegible]
Sears¹	− 0.6	− 37.2	3.3	19,431,163²	139²	6.43	8.7	+ 5.1	+ 12.9
Ward	− 17.8	− 16.1	8.2	13,804,129²	98²	[illegible]	12.1	[illegible]	+ 10.[illegible]
Composite	− 2.2	− 18.5	5.4	15,778,243²	115²	7.78	9.9	+ 2.9	+ 12.3

¹U.S. Merchandising ²Excludes catalog sales ³Metro stores
Source: *Chain Store Age* research/annual reports

Bradlees slips while Wal-Mart, Target and Zayre push on

Company	% change sales	% change op. inc.	Op inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '80-'85	% change compound op. inc. '80-'85
Ames	+ 64.8	+ 62.6	10.5	$ 4,882,375	$ 97	$ 9.69	22.7	+ 35.6	+ 27.[illegible]
Bradlees	+ 15.3	− 64.8	1.9	11,250,396	133	2.53	5.1	+ 20.6	+ 14.3
Gold Circle/Richway	− 0.2	+ 22.6	3.7	10,475,433	134	4.97	10.6	[illegible]	[illegible]
Heck's	+ 14.1	—	—	3,205,158	79	—	—	+ 13.9	—
Jamesway	+ 16.0	− 29.1	[illegible]	5,044,041	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
K mart¹	+ 9.9	− 3.9	6.3	9,696,361	144	7.23	13.4	+ 8.1	+ 12.1
Rose's	+ 8.3	− 15.7	4.5	[illegible],171	[illegible]	4.66	14.4	[illegible]	[illegible]
Target	+ 10.7	+ 17.9	7.1	17,829,932	181	12.78	18.3	+ 26.7	+ 25.8
Venture	+ 13.2	+ 18.9	[illegible]	10,470,[illegible]	146	[illegible]	13.3	[illegible]	[illegible]
Wal-Mart	+ 24.2¹	+ 21.7	7.2	9,569,832¹	172¹	13.92	19.5	+ 38.8	+ 42.2
Zayre¹	+ 29.1	+ 16.1	6.4	6,414,768	115	[illegible]	19.7	[illegible]	+ 22.[illegible]
Composite	+ 8.4	+ 5.9	5.7	9,266,651	142	8.09	14.8	+ 14.2	+ 23.8

¹Discount stores only
Source: *Chain Store Age* research/annual reports



Source: *Chain Store Age* research

gross square foot figure by 11.9%. In addition their return on assets and five year compound earnings gain came in higher than a year ago.

A review of the diversified retailers with department and discount store operations reveals why Dayton Hudson Corp. is bullish on discounting and why Federated and May Co. are more attuned to department stores.

Target's operating income return on assets was 18.3% last year compared to the Dayton Hudson department stores' return of 16.5%.

At the May Co., department stores outscored Venture on return on assets, 15.3% to 13.0%. And at Federated, the department store group pulled in 14.9%. ROA vs. 10.0% for Gold Circle/Richway. An indication of Federated's commitment to its discount division can be seen in the fact that chairman Howard Goldfeder, in commenting on growth opportunities, said, "We plan to devote our energies and resources to continued expansion of our Ralph's, MainStreet and Filene's Basement divisions. . . . We believe these divisions are positioned to offer significant growth and earnings potential to Federated in the years to come." No mention was made of Gold Circle.

Through the first three months of the current fiscal year retailers tracked by *Chain Store Age* have increased their sales 8.3%. That is below the 9.0% of a year ago.

Already the shock waves are being felt. First quarter earnings for Sears U.S. Merchandising plummeted from an $8.3 million profit to

Top 100 chain stores, 1985

Rank	Company	1984 Sales (000 omitted)	1984 Stores	1985 Sales (000 omitted)	1985 Stores	% Sales change
1	Sears[1] (Chicago)	$24,614,000	798	$24,454,000	799	− 0.7
2	K mart[2] (Troy, Mich.)	21,096,000	3,520	22,420,000	3,848	+ 6.3
	• K mart	20,410,000	2,173	20,114,000	2,180	− 1.5
	• Pay Less Drug	920,000	164	1,003,000	183	+ 9.0
	• Waldenbooks	450,000	898	480,000	955	+ 6.7
	• Builders Square	190,000	15	365,000	30	+ 92.1
	• Designer Depot	131,000	53	155,717	73	+ 18.9
3	J. C. Penney (N.Y.)	13,451,000	1,994	13,747,000	1,909	+ 2.2
4	Dayton Hudson (Minneapolis)	8,009,000	1,136	8,793,400	1,206	+ 9.8
	• Target	3,550,100	215	3,931,500	226	+ 10.7
	• Mervyn's	2,141,100	126	2,527,000	148	+ 18.0
	• Dayton Hudson	1,396,000	36	1,447,900	37	+ 3.7
	• B. Dalton	489,800	751	538,100	785	+ 9.9
	• Lechmere	280,200	8	348,900	10	+ 24.5
5	Wal-Mart (Bentonville, Ark.)	6,400,861	756	8,451,400	882	+ 32.0
	• Wal-Mart	6,179,275	745	7,675,000	859	+ 24.2
	• Sam's Wholesale	221,500	11	776,400	23	+250.4
6	Federated[2] (Cincinnati)	7,951,036	463	8,104,427	477	+ 2.0
	• Gold Circle/Richway	1,859,900	81	1,857,900	76	− 0.1
	• Bloomingdale's	903,000	15	955,200	15	+ 5.8
	• Lazarus	834,500	31	856,200	31	+ 2.6
	• Abraham & Straus	781,000	15	767,500	15	− 1.7
	• Burdines	691,500	28	757,500	29	+ 9.5
	• Bullock's	673,900	28	712,300	27	+ 5.7
	• Foley's	682,400	17	680,300	17	− 0.3
	• Rich's	602,000	18	647,000	17	+ 7.5
	• Sanger Harris/Levy's	447,400	18	486,700	18	+ 8.7
	• Filene's	328,400	15	353,500	16	+ 7.6
	• I. Magnin	309,700	26	319,000	26	+ 3.0
	• Filene's Basement	188,000	15	212,000	17	+ 12.7
	• Goldsmith's	164,000	6	169,100	6	+ 3.1
	• The Children's Place	136,900	139	158,700	158	+ 16.0
	• MainStreet	9,800	3	50,300	9	+413.3
7	F. W. Woolworth (N.Y.)	5,737,000	5,589	5,958,000	5,822	+ 3.9
	• U.S. Woolworth	1,906,000	1,210	1,943,300	1,194	+ 1.9
8	Montgomery Ward (Chicago)	6,495,000	356	5,383,000	315	− 17.1
9	May Dept. Stores (St. Louis)	4,662,900	1,864	5,079,900	2,074	+ 8.9
	• Venture	882,000	57	1,003,000	62	+ 13.8
	• May California	776,900	34	784,200	35	+ 0.9
	• Volume Shoe	543,450	1,662	696,700	1,867	+ 28.2
	• Hecht	518,900	23	567,000	23	+ 9.4
	• Famous-Barr	436,100	16	460,500	17	+ 5.6
	• Kaufmann's	412,700	19	423,900	18	+ 2.7
	• May-Cleveland	223,100	10	238,000	10	+ 6.6
	• G. Fox	191,400	8	219,100	8	+ 14.5
	• Meier & Frank	205,800	7	212,200	7	+ 3.1
	• O'Neil's	163,900	10	176,400	10	+ 7.6
	• May D & F	173,000	12	171,900	11	− 0.6
	• May-Cohen's	68,900	6	73,500	6	+ 6.7
10	Melville (Harrison, N.Y.)	4,261,627	5,293	4,774,000	5,574	+ 12.0
	• Marshalls	1,189,538	209	1,324,378	236	+ 11.3
	• Kay Bee Toys & Hobby	346,953	533	401,107	584	+ 15.6
11	Associated Dry Goods[3] (N.Y.)	4,106,646	333	4,385,019	346	+ 6.8
	• Caldor	1,254,000	103	1,337,000	109	+ 6.6
	• Lord & Taylor	695,000	42	750,000	44	+ 7.9
	• J. W. Robinson (Calif.)	528,000	21	569,000	22	+ 7.7
	• Loehmann's	309,000	72	331,000	81	+ 7.1
	• L. S. Ayres	375,000	25	410,000	26	+ 9.3
	• Horne	185,000	13	205,000	13	+ 10.8
	• Sibley	190,000	14	200,000	14	+ 5.3
	• Denver Dry Goods	145,000	12	155,000	12	+ 6.9
	• Hahne	120,000	8	125,000	8	+ 4.2
	• Goldwaters	112,000	9	125,000	9	+ 11.6
	• Robinson's (Fla.)	94,000	7	110,000	9	+ 17.0
12	R. H. Macy[3] (N.Y.)	4,066,120	96	4,368,400	95	+ 7.4
	• Macy's New York	1,256,600	19	1,335,700	21	+ 6.3
	• Bambergers	1,200,000	23	1,258,000	23	+ 4.8
	• Macy's California	1,025,000	23	1,162,000	25	+ 13.4
	• Macy's Atlanta	550,000	31	612,100	26	+ 11.3
13	Allied Stores[3] (N.Y.)	3,970,400	597	4,135,027	665	+ 4.1
	• Jordan Marsh (NE)	510,000	17	550,000	18	+ 7.8
	• The Bon	478,000	37	498,000	39	+ 4.3
	• Stern's	410,000	17	420,000	17	+ 2.4
	• Joske's	430,000	28	410,000	27	− 4.7
	• Maas Bros.	320,000	19	340,000	21	+ 6.3
	• Jordan Marsh (Fla.)	260,000	16	270,000	16	+ 3.8
	• Brooks Bros.	220,000	47	230,000	50	+ 4.5
	• Donaldsons	120,000	9	160,000	15	+ 33.3
	• Bonwit Teller	140,000	15	150,000	15	+ 7.1
	• Pomeroy's	144,000	15	145,000	15	+ 0.6
	• Miller & Rhoads	130,000	22	135,000	21	+ 3.8
	• Garfinkel's	110,000	13	110,000	10	N/C
	• Millers	100,000	13	105,000	13	+ 5.0
	• Read's	100,000	6	105,000	6	+ 5.0
	• Block's	90,000	11	95,000	11	+ 5.6

$22.7 million loss.

Across the board, earnings are expected to be down or flat for the first quarter for most companies, though retailers such as J. C. Penney reported a 26% profit improvement.

For the remainder of the year, retailers are waiting for consumers to pay off a heavy installment debt load and to take advantage of lower oil prices and the potfull of money available from the surge in home refinancings.

If they do, Christmas will be more than a time to cut selling prices in panic, as the season has developed into during the last few years. Retailers are hoping they, too, will get some holiday cheer this year. ☐

Top CE chains post record sales

1985 was still another banner year, but 1986 will prove tougher for many.

The top 10 electronics specialty stores combined to take about 17% of the market for home electronics in 1985. Sales for the biggest publicly owned chains rose 21.2% to an all-time high of $6 billion. The year was not without its trouble spots, however, and 1986 will prove to be a tough year for many.

Leviathan Tandy was forced to take its first inventory writedown in the company's history in fiscal 1985, reflecting the extreme volatility of the personal computer market. For the 1986 fiscal year which ends this month, the Radio Shack store operator should rebound nicely and post record sales and earnings, despite weakening sales in recent months.

The outlook for City of Commerce, Calif.-based The Federated Group is less encouraging. In the final quarter of 1985, the superstore operator learned that the only thing worse than not growing enough was growing too quickly.

Earnings in the final quarter of 1985 virtually collapsed to $2.4 million on sales of $122.5 million. The primary cause for the earnings failure was an inventory and distribution system run amok. Gremlins in The Federated Group's distribution network were changing orders for

Top 100 chain stores, 1985

Rank	Company	1984 Sales (000 omitted)	1984 Stores	1985 Sales (000 omitted)	1985 Stores	% Sales change
14	Zayre (Framingham, Mass.)	$3,191,172	850	$4,036,018	965	+ 26.5
	• Zayre	2,195,746	290	2,639,811	337	+ 20.1
	• Hit or Miss/T. J. Maxx	927,268	557	1,148,414	619	+ 24.0
15	Carter Hawley Hale³ (L.A.)	3,724,294	252	3,977,913	284	+ 6.8
	• Broadway So. Calif.	940,000	40	1,000,000	41	+ 6.4
	• Neiman-Marcus	620,000	21	698,000	22	+ 12.6
	• Emporium Capwell	660,000	22	690,000	22	+ 4.5
	• John Wanamaker's	460,000	16	470,000	16	+ 2.2
	• Weinstock's	250,000	12	270,000	12	+ 8.0
	• Thalheimer	250,000	25	270,000	25	+ 8.0
	• Broadway Southwest	170,000	10	200,000	12	+ 17.6
	• Contempo Casuals	86,000	105	106,000	133	+ 23.3
	• Bergdorf Goodman	60,000	1	65,000	1	+ 8.3
16	Tandy Corp. (Fort Worth)	2,775,496	9,018	2,841,434	9,117	+ 2.4
17	Household Merchandising (Chicago)	2,945,400	N/A	2,801,000	N/A	− 4.9
	• T.G. & Y.	2,045,400	743	1,951,000	700	− 4.6
	• Ben Franklin	900,000	N/A	850,000	N/A	− 5.6
18	Service Merchandise (Nashville)	1,656,992	210	2,526,457	328	+ 52.5
19	The Limited (Columbus)	1,343,134	1,412	2,387,110	2,363	+ 77.7
20	Best Products (Richmond, Va.)	2,052,656	204	2,234,758	213	+ 8.9
21	BATUS³ (Louisville)	2,039,226	119	2,174,954	134	+ 6.7
	• Saks	940,000	40	995,000	41	+ 5.9
	• Marshall Field	730,000	21	790,000	21	+ 8.2
	• Breuners	155,000	17	158,000	17	+ 1.9
	• Ivey's-Carolinas	120,000	13	128,000	13	+ 6.7
	• Ivey's-Florida	105,000	12	109,000	11	+ 4.0
22	W. R. Grace (N.Y.)	1,919,000	853	2,067,000	895	+ 7.7
	• Herman's	368,000	115	420,000	131	+ 14.1
23	Lucky (Dublin, Calif.)	1,995,700	854	2,066,900	187	+ 3.6
	• Gemco	1,292,000	77	1,338,000	80	+ 3.6
24	Toys "R" Us (Rochelle Park, N.J.)	1,701,700	230	1,976,134	273	+ 16.1
25	Belk (Charlotte, N.C.)	1,850,000	350	1,950,000	350	+ 5.4
26	Mercantile³ (N.Y.)	1,705,904	78	1,880,039	80	+ 10.1
	• McAlpin's	300,000	9	325,000	9	+ 8.3
	• Gayfers	300,000	12	315,000	11	+ 5.0
	• Jones	180,000	7	195,000	7	+ 8.3
	• Castner Knott	180,000	11	195,000	11	+ 8.3
	• Joslins	165,000	10	185,000	11	+ 12.1
	• Gayfers/Montgomery Fair	140,000	6	150,000	6	+ 7.1
	• Bacon's	130,000	6	140,000	6	+ 7.7
	• J. B. White	120,000	7	130,000	7	+ 8.3
	• Lion	100,000	3	110,000	3	+ 10.0
27	Stop & Shop	1,665,755	203	1,976,625	234	+ 16.2
	• Bradlees	1,484,648	132	1,620,667	158	+ 15.5
	• Almy's	—	—	75,495	19	—
28	Dillard's (Little Rock)	1,277,200	93	1,601,357	101	+ 25.4
29	Fred Meyer (Portland)	1,550,000	90	1,600,000	93	+ 3.2
30	Ames (Rocky Hill, Conn.)	821,905	188	1,512,748	450	+ 84.0
31	The Price Club² (San Diego)	826,400	16	1,339,500	21	+ 62.1
32	U.S. Shoe Corp. (Cincinnati)	1,142,579	1,879	1,314,916	2,047	+ 15.1
33	Nordstrom's (Seattle)	960,678	44	1,301,857	52	+ 35.5
34	SCOA (Hills) (Canton, Mass.)	1,200,000	123	1,266,000	125	+ 5.5
35	Petrie (Secaucus, N.J.)	951,186	1,369	1,160,845	1,345	+ 22.1
36	Rose's (Henderson, N.C.)	927,395	197	1,009,298	206	+ 8.8
37	Meijer² (Grand Rapids)	900,000	52	1,000,000	55	+ 11.1
38	McCrory Corp. (N.Y.)	916,000	723	984,000	720	+ 7.4
39	Edison Bros. (St. Louis)	785,900	2,300	808,300	2,436	+ 2.9
40	Dylex-U.S. (Toronto)	208,092	821	777,000	1,513	+ 268.5
41	ShopKo (Green Bay)	609,600	49	754,400	50	+ 23.8
42	Carson Pirie Scott (Chicago)	593,000	296	705,062	321	+ 18.9
43	Circuit City (Richmond)	518,214	96	705,499	75	+ 36.1
44	Strawbridge & Clothier³ (Philadelphia)	636,407	31	686,920	32	+ 8.0
	• Clover	250,000	19	275,000	20	+ 10.0
45	The Gap (San Bruno, Calif.)	518,229	623	647,333	594	+ 24.9
46	Hartmarx (Chicago)	612,100	453	634,000	467	+ 3.6
47	Fedco (Santa Fe Springs, Calif.)	600,000	8	625,000	8	+ 4.2
48	Dollar General (Scottsville, Ky.)	490,514	1,000	594,437	1,278	+ 21.2

15 VCRs scheduled to ship to store No. 50, for example, to 50 VCRs destined for store No. 15.

Though management claims to have driven the gremlins out of its computer, The Federated Group has had historic problems in keeping a lid on SG&A expenses. Now it will have to prove itself in a weaker sales environment. Expansion plans have been cut to 15 new units in 1986, and comparable store volume is running below last year's levels.

Circuit City closed out its year with the abandonment of its last lease-operated departments, once the core of its business. In addition to exiting from Zody's, it closed its struggling New York Lafayette stores in March.

With much of the fat now cut away, Circuit City will face easier earnings comparisons in 1986, but unless same-store sales results firm up, the road will be tougher as the year progresses.

Bucking the trend toward softer sales and profits is New York's Crazy Eddie. In the 1985 Christmas selling season, Crazy Eddie managed to turn a 53% sales gain into a 116% profit increase. Net margins in the fourth quarter rose from 5.1% a year ago to an industry high 7.2% in 1985.

Crazy Eddie's chairman/ceo Eddie Antar continues to define the rules of the game for electronics retailing in New York, and as long as he continues to write all the rules, he probably will play the game best.

Highland Superstores also managed to run against the tide of lower margins, despite the startup costs associated with 10 new store openings in 1985, managed to post net margin increases.

One troubled electronics retailer not on this year's chart is privately owned Pacific, formerly Pacific Stereo.

Pacific's problems may be a harbinger of the future for other electronics specialty chains. For the past six year's, many of the chains have been riding on the crest of a tidal wave of customer buying. As customers begin to curtail their spending for home entertainment products in 1986, the wave will turn into a ripple.

Without the benefit of a free ride from the industry's overall growth, electronics chains will have to face the question: Is management good enough to turn a profit in a more normal retailing environment? ☐

Top 100 chain stores, 1985

Rank	Company	1984 Sales (000 omitted)	1984 Stores	1985 Sales (000 omitted)	1985 Stores	% Sales change
49	Heck's (Charleston, W. Va.)	$ 464,734	125	$ 523,332	166	+ 12.6
50	Jamesway (Secaucus, N.J.)	475,486	85	523,146	91	+ 10.0
51	Alexander's (N.Y.)	517,300	15	520,000	15	+ 0.5
52	Highland (Taylor, Mich.)	358,509	32	520,000	42	+ 45.0
53	Child World (Avon, Mass.)	435,470	104	513,148	119	+ 17.8
54	Cyclops (Pittsburgh)	404,000	117	510,000	131	+ 26.2
	• Silo	321,500	97	472,500	120	+ 47.0
55	Gimbels-East	485,000	20	485,000	20	N/C
56	Pamida (Omaha)	446,657	160	475,100	150	+ 6.4
57	Woodward & Lothrop (Washington, D.C.)	451,294	16	470,403	16	+ 4.2
58	Interco (St. Louis)	545,322	263	461,322	248	− 15.4
59	General Mills (Minneapolis)	373,800	90	456,000	111	+ 22.0
60	C. R. Anthony Co. (Oklahoma City)	416,387	279	416,933	272	+ 0.1
61	Bergner's (Peoria, Ill.)	225,000	25	415,000	32	+ 84.4
62	Consumers Distrib.-U.S. (Edison, N.J.)	450,553	160	414,963	149	− 7.9
63	Family Dollar (Charlotte, N.C.)	340,919	785	410,000	920	+ 20.3
64	Howard Bros. (Monroe, La.)	376,000	90	400,000	87	+ 6.4
65	Schottenstein Stores (Columbus)	355,628	35	392,402	36	+ 10.4
66	Charming Shoppes (Bensalem, Pa.)	297,320	444	391,630	550	+ 31.7
67	Ross Stores (Newark, Calif.)	210,500	66	375,945	107	+ 78.6
68	Federated Group (City of Commerce, Calif.)	229,700	43	363,033	59	+ 58.2
69	Duckwall-ALCO (Abilene, Kan.)	363,900	158	362,600	158	− 0.4
70	Elder-Beerman (Dayton)	311,920	232	352,085	236	+ 12.9
71	Burlington Coat Factory (Burlington, N.J.)	302,600	68	343,113	76	+ 13.4
72	Bealls (Jacksonville, Tex.)	317,530	135	339,812	141	+ 7.0
73	Hess's (Allentown, Pa.)	273,500	32	330,700	40	+ 20.9
74	S E Nichols (N.Y.)	302,700	43	317,200	44	+ 4.8
75	Oshman's (Houston)	304,419	192	312,261	211	+ 2.6
76	Spencer Gifts (Pleasantville, N.J.)	310,830	457	295,677	497	− 4.8
77	Prange (Prangeway) (Green Bay)	267,413	74	290,000	82	+ 8.4
78	OTASCO (Tulsa)	303,000	294	288,000	268	− 5.0
79	House of Fabrics (Van Nuys, Calif.)	278,266	740	286,743	730	+ 3.1
80	Higbee (Cleveland)	263,987	11	280,770	11	+ 6.4
81	Pic 'N' Save (L.A.)	235,147	90	278,072	94	+ 18.3
82	Jacobson Stores (Jackson, Mich.)	240,605	19	275,030	20	+ 14.3
83	D. H. Holmes (New Orleans)	271,661	15	272,619	17	+ 0.4
84	Kohl's (Brookfield, Wis.)	245,000	34	265,000	39	+ 8.2
85	Crazy Eddie (Brooklyn, N.Y.)	167,147	15	262,268	23	+ 56.9
86	Cook's United (Maple Heights, Ohio)	311,000	53	256,979	50	− 17.4
87	Boscov's (Reading, Pa.)	221,000	10	250,000	11	+ 13.1
88	Lionel Leisure (Philadelphia)	225,038	52	246,075	56	+ 9.3
89	B. Altman ((N.Y.)	228,069	7	243,000	7	+ 6.7
90	Fabri Centers (Cleveland)¹	226,937	704	233,153	705	+ 2.7
91	Liberty House (Honolulu)	207,517	50	228,622	48	+ 10.2
92	Frederick & Nelson	242,000	15	226,000	15	− 6.6
93	Godchaux/Maison Blanche (Baton Rouge)	207,000	7	216,000	7	+ 4.3
94	Syms (N.Y.)	204,251	14	215,168	15	+ 5.3
95	Fretter (Livonia, Mich.)	110,458	27	214,264	38	+ 94.0
96	Costco² (Seattle)	97,926	12	211,226	21	+ 115.7
97	Ohrbach's (N.Y.)	200,000	12	210,000	12	+ 5.0
98	Pier I Imports (Fort Worth)	173,466	264	203,939	300	+ 17.6
99	Sprouse-Reitz (Portland, Ore.)	182,600	317	202,793	322	+ 11.0
100	McRae's (Jackson, Miss.)	167,000	14	199,000	15	+ 19.2
	Totals	$170,767,580	55,861	$185,423,862	56,666	+ 8.6

Divisional totals are not duplicated in the tabulation of general merchandise chain totals.

[1] Excludes credit.

[2] Excludes food/supermarket sales.

[3] Divisional sales estimated.

Source: *Chain Store Age* research/annual reports.

The best bets for Christmas 1986

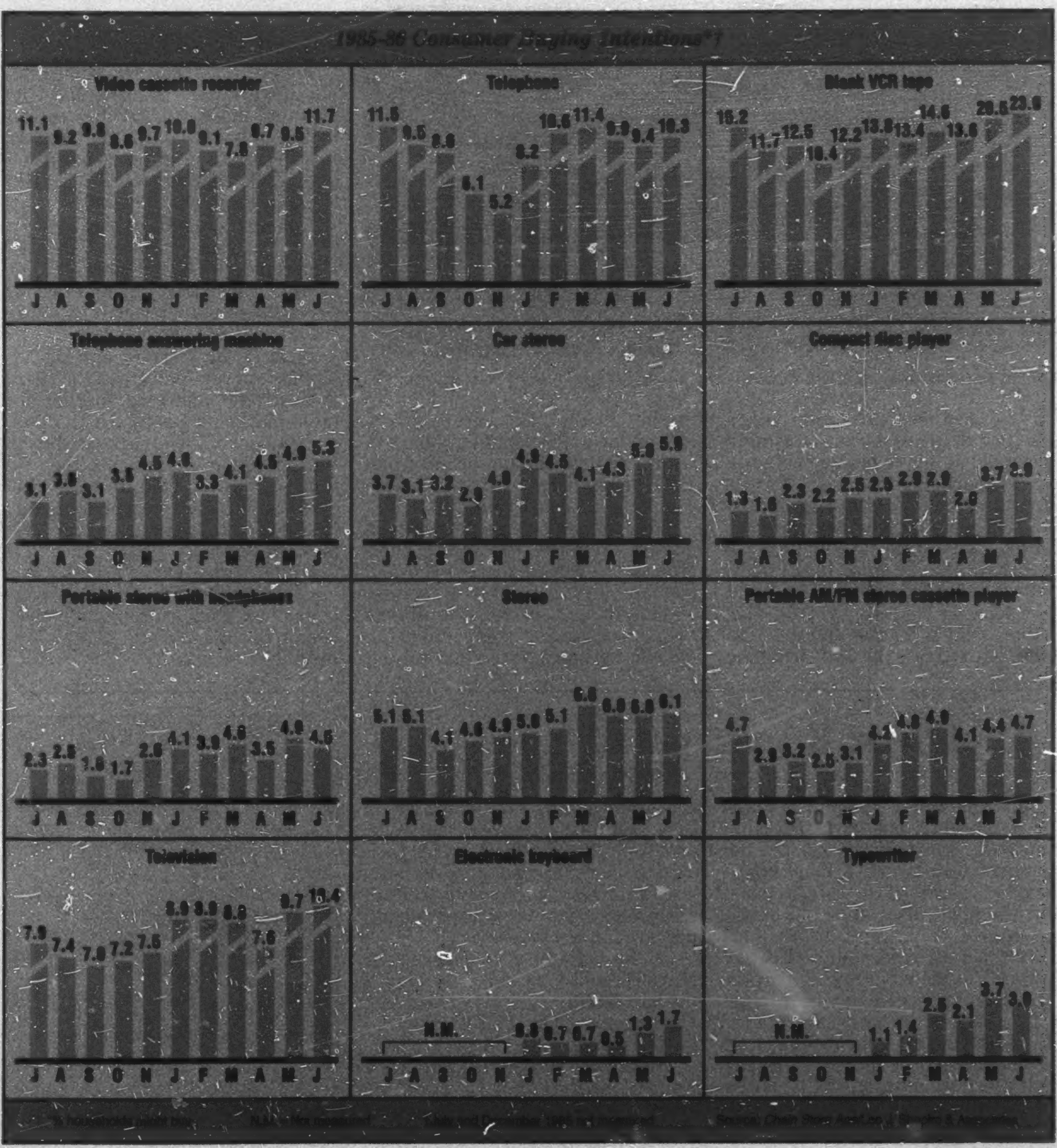
The VCR cash cow is not running dry, but the industry's growth over the next 12 months will have to come from other categories. The best bets: compact disc players, telephone answering devices and car stereos.

According to the latest MarkeTrends poll, consumer intent to buy a video cassette recorder sometime within the next 12 months is a mere 5% ahead of last year's totals.

However, CD players, telephone answering machines and car stereos all are recording the highest levels of customer interest in the history of the survey. The number of households reporting they expect to buy a compact disc player is 117% ahead of last year's totals. For telephone answering devices, the survey indicates a 71% gain, and for car stereos a 60% hike.

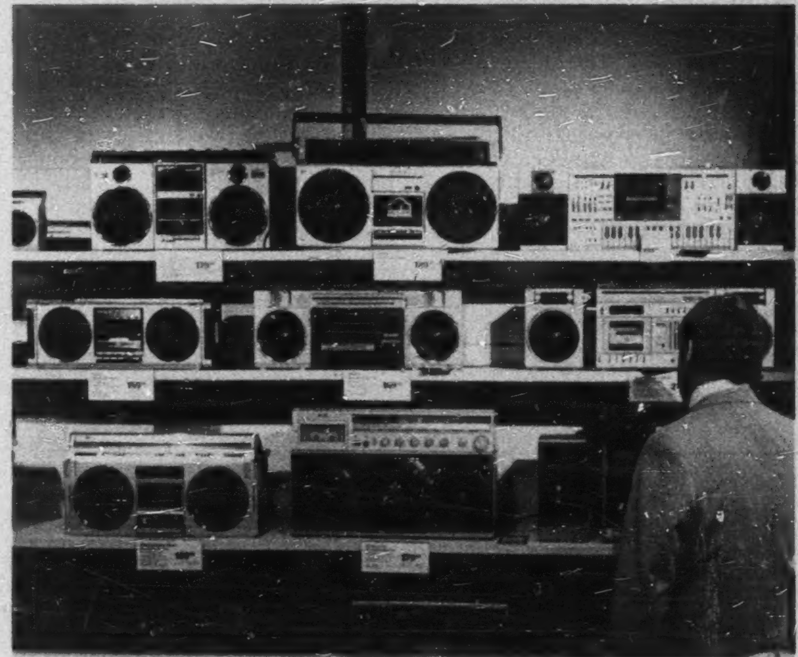
The telephone market, meanwhile, continues to show signs of potential weakness. Compared to figures in the June 1985 survey, consumer intent to buy is down 10% in the current MarkeTrends poll.

Despite the proliferation of pastels, customer plans to buy boom boxes in the next 12 months are exactly equal to the intentions they expressed in the survey a year ago.☐



*% households might buy N.M. = Not measured †July and December 1985 not measured Source: Chain Store Age/Leo J. Shapiro & Associates

Boom box market base is women



Fewer men are buying boom boxes as the market shifts toward women.

The customer for boom boxes has changed, but he—or more accurately—she is not growing the overall market. In the latest MarkeTrends survey, the number of households reporting they expect to buy a boom box in the next 12 months is exactly equal to the number who said they planned to buy a year ago.

Just who is buying continues to take on a more distinct feminine profile. In the most recent study, 60% of those who bought a boom box within the last 12 months are women. This compares to a 55.5% female customer base last year.

With women now dominating the market, vendors are upping their efforts to include more color and fashion. In view of the MarkeTrends data, however, the efforts are not succeeding in expanding the market for boom boxes, but rather, are keeping unit sales from dropping.

How much do you expect to pay for a boom box?

[illegible]	[illegible]
$51-$99	13.2
[illegible]	[illegible]
$125-$149	5.3
[illegible]	[illegible]
$200-$299	10.5
[illegible]	[illegible]
$400 and over	18.4

The poll does provide a glimmer of hope for growing the market. On the average, those who say they expect to buy a boom box in the next 12 months say they intend to pay a median $120. This compares to the $77 spent by those who bought last year.

Among those who expect to buy a boom box this year, Sony (30.8%), Panasonic (15.4%), Fisher (7.7%), General Electric (7.7%), and various private label store brands (7.7%) are the consumer's top choices.

In fact, the most recent MarkeTrends survey indicates that there is a strong emerging market for high-end boom boxes. In the poll, nearly 1 out of 5 who expect to buy in the next year report that they intend to pay over $400. Just over 1 in 3 of the survey's respondents say they intend to spend more than $200 (see chart).

Higher price expectations are a good portent for both CD player-boom box combinations and more recently introduced television-boom box combos. ☐

CD players: K mart out of tune

While other discounters are carving out a respectable and early share of the market for compact disc players, K mart's half-hearted testing of the category has left the giant discounter out of the action.

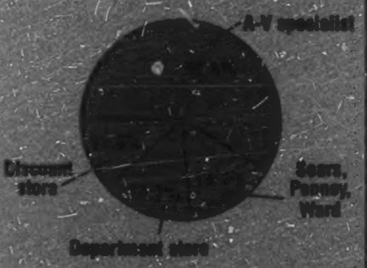
In the most recent MarkeTrends survey, discount stores take an 11.8% unit share of the market for CD players in the last year. K mart's timidity about committing to the category, however, means that the discounter has let its rivals gobble up all the profits.

Also cashing in on the rapid rise in consumer buying are Sears, which sold 8.8% of CD players last year, and Montgomery Ward, which took a 5.9% share, according to the survey. Both mass merchants took an early, and often price promotional, posture in the category.

On the average, consumers in the MarkeTrends poll say they paid a median $295 for their CD player this year, compared to the $400 they reported paying in the May 1985 poll.

The survey respondents say they bought Sony ([illegible]7.6%), Pioneer (13.8%) and Technics (13.8%) with the greatest frequency. Following are Fisher, RCA, Panasonic, Sansui and various private label store brands. ☐

Where did you buy your CD player?

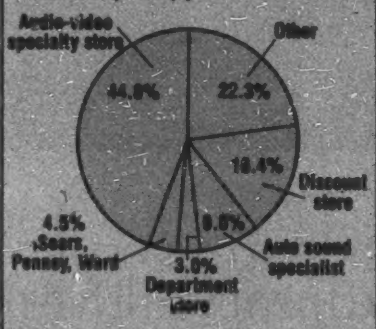


Source: Chain Store Age/Leo J. Shapiro & Associates

Car makers want to call the tune

New car manufacturers—both foreign and domestic—are turning up the heat in a battle for auto sound market share. For the 1985 model year, 91.1% of domestic cars and 68.4% of imports arrived at the dealer with factory installed audio equipment, according to *Ward's Automotive Reports*. This compares to 83.2% for U.S. manufacturers and 46.8% for foreign car producers in the 1978 model year.

The auto makers are responding to a growth in consumer demand for car audio and are trying to capitalize on their first line position with the customer. MarkeTrends polling reveals a 60% jump in consumer intent to buy in the last 12 months alone.



Who controls the aftermarket

Where did you buy your last car stereo?

Source: *Chain Store Age*/Leo J. Shapiro & Associates

What the auto manufacturers and their dealers know is that factory installed audio systems give them the edge in capturing sales. Gains in factory installed car audio is unsettling news for aftermarket retailers who are left the unpleasant task of convincing the new car owner to junk the system which came with the car.

Aftermarket sales account for about half of all sales in the $4 billion car audio retail market. According to the MarkeTrends survey, a-v specialists take the greatest share of the aftermarket, selling 44.8% of all units in the last year. Next are discount stores (16.4%), car audio specialists (9%), catalog showrooms (4.5%) and Sears (3%).

Consumers in the poll report buying Pioneer (12.8%), Sony (10.3%), Kenwood (10.3%) and Sanyo (7.7%) with the greatest frequency. ☐

The color purple

Not the motion picture—it easily could have been the color red or yellow or green. Better yet, it could have been a pastel shade.

It is no news to anyone in the consumer electronics industry that color and fashion are taking a greater role in marketing and merchandising plans. The first glimmer of color peeked through the mass of battleship gray 18 months ago in small audio.

At first glance, color looks like a good idea. Most importantly, the customer likes it. It has breathed new life into some maturing product categories. As a merchandising tool, it adds excitement to displays and probably increases the number of impulse purchases.

So what is wrong? Radio Shack president Bernard Appel put it this way: "Nobody is smart enough to know which colors will sell, and which ones won't."

A number of vendors, with nightmares of warehouses brimming with lime green boom boxes, are trying to hedge their bets and reduce their own risk. The problem is that they are trying to shift the risk back onto their retail partners.

Here is how they are doing it. A typical buying program for one major vendor, which markets a particular product in five different colors, requires that on the first order the retail buyer commit to all five colors. On the first reorder, the buyer need commit to only three colors. For any further reorder, the buyer may cherry pick the line.

The net effect is this: If lime green boom boxes turn out to be this year's retailing lemon, at least some of the excess inventory winds up in the retailer's warehouse, not the vendor's.

Is this fair? Yes, vendors tell you. Partnership between manufacturer and retailer involves assumption of both the risks and the rewards. In addition, buying programs, such as the one outlined here, still lay most of the risk in the vendor's lap, not the retailer's.

Manufacturers are also quick to note that the buying program is not unlike those typical in apparel, another business where the customer's sometimes fickle tastes must be factored into the buying and selling equation.

This is nonsense. A quick comparison shows why. If an apparel buyer were to work off a 30 point margin, no less the more likely 25% an electronics buyer gets, the apparel business would soon go bankrupt.

If fashion is to become a long-term factor in the electronics industry, retailers and their sources will need to work out some other, more equitable, arrangements. Buyback plans are the most sensible.

They would, of course, put a premium on buying color and fashion. But in a low margin business, the customer who wants fashion will have to be taught that color is a feature which must be paid for. Otherwise, the profitability of fashion will be short lived.

Eliminating more rigid buying plans also will put buying decisions back into the hands of the person closest to the customer. The retail buyer is aware of local market idiosyncracies which no vendor will ever know.

Case in point: A Sanger Harris unit in Fort Worth will sell just about anything it can get its hands on if it is lavender. The reason—the store is located near Texas Christian University where one of the school's colors is lavender. Not exactly the color purple, but close enough.

—Rick Gallagher

Housewares ahead by a nose

Nine gains and three losses lit this month's housewares scoreboard. Of the dozen products tracked by *Chain Store Age* MarkeTrends, three-quarters were higher on consumers' shopping lists than they were the month before.

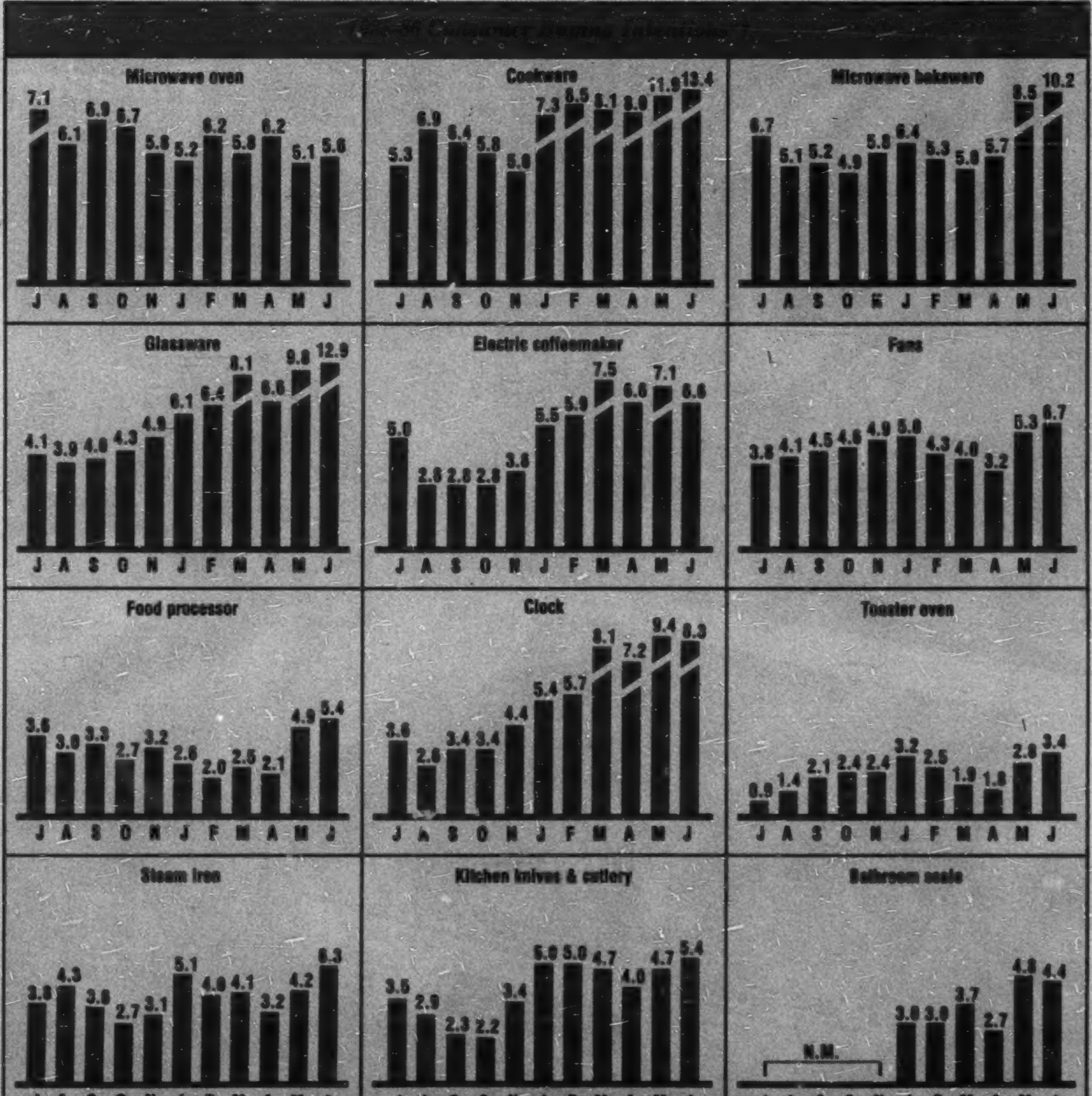
But not all the winners won strongly. Buying intentions for microwave ovens barely squeaked past last month's at the finish line. The 10% uptick failed to boost this category to the heady heights of late 1985.

For cookware, however, a modest gain meant a new record. With 13.4% of the households surveyed reporting interest in cookware (compared with only 5.3% a year ago) consumers seem ready to get into the kitchen and rattle those pots and pans.

Steam irons drew 50% more interest than last month, taking first place in buying intention gains. B&D will be probing a hot market with its new "G.E. irons are now Black & Decker" ad theme.

Fans whirred up to record levels, and food processors kept climbing. Bathroom scales showed an 8% loss.

Other losers were coffeemakers and clocks, but their slippage was slight. ☐



Glassware shoppers go for the flash

Consumers want a large assortment at promotional prices.

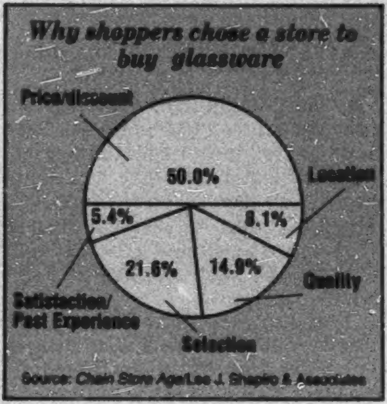
When it comes to glassware, consumers stalk big selections and low prices. The hunt usually takes them to the discount stores.

According to *Chain Store Age*/MarkeTrends research, discounters can expect continued traffic in the glassware aisles. Results show that 39% of households in the market for glassware have their sights set on discount stores.

That is no surprise, considering that 38.7% of glassware shoppers plan to spend $10 or less. And they probably will succeed at that. Their price expectations closely match amounts actually paid by last year's purchasers. Nearly 37% of that group found what they wanted for under $11.

Consumers have done an about-face since April 1985, when MarkeTrends found them poised to upgrade. At that time, a mere 28% named $10 and under as their browsing range. For 31.2%, $11 to $35 seemed reasonable.

But by September 1985, when the category was tracked again, rock-bottom-priced glassware had won more favor. The latest research indicates that it is firmly entrenched.



Why shoppers chose a store to buy glassware

Source: Chain Store Age/Lee J. Shapiro & Associates

Yet consumers want to find broad assortments beneath promotional price signs. Slightly more than one-quarter of glassware shoppers say selection will determine their choice of store.

Interestingly, only 3.2% of the buying-intention group express interest in quality. As vendors offer low-priced beverageware splashed with colors in swirls and spirals, the product may increasingly be perceived as a "fun," throwaway item.

The low end may also get a boost as acrylic tumblers and pitchers proliferate in partyware displays. Compared to those "semidisposables," even $10 glassware seems luxurious. ☐

Bath scale prices gain weight

Bathroom scales have gotten sleeker through electronics, but they can bear heftier price tags. According to *Chain Store Age*/MarkeTrends research consumers interested in buying a scale are ready to pay $25, $30, even $50.

At least that is true of 50% of the survey respondents describing themselves as potential next-year buyers. That portion of the group expects the tab to fall between $21 and $99. Remote readouts, programmability, and other new features have launched a once ho-hum product into the space age. Perceived value has flown along with it.

But a big chunk of both potential and actual purchasers want their scales simple. Exactly one-half of the intending-to-buy group name $20 as their wallets' upper limit for this item. They will probably find the scale they want in that range—nearly 57% of last year's purchasers did.

The underside of $20 might buy an analog scale, or a modest digital model with LED readout on the base. But consumers wishing to read their weight without bending over will have to expend more effort at the cash register.

Even if half the market is balking at the fanciest bells and whistles, that leaves an equal number ready to bite. The challenge for vendors and retailers will be to keep interest hot at the high end. *CSA*/MarkeTrends found 21.2% of potential shoppers ready to spend $36 to $99. But when they got to the stores, only 14.4% actually paid that much.

The recent survey results suggest that department stores could nab more of the scale business. A little more than one-third of consumers with buying intentions plan to get their scales from discounters, while a slightly larger percentage think they will shop department stores.

Far fewer actual purchases took place at department stores: 13.4% compared with the discount stores' 35.1%. ☐

How much would/did you pay for a bathroom scale?

	Might buy	Bought
Under $10	18.2%	18.1%
$11-$15	13.6	19.3
$16-$20	18.2	19.3
$21-$25	10.6	10.8
$26-$30	12.1	13.8
$31-$35	6.1	6.0
$36-$50	10.6	9.6
$51-$99	10.6	4.8

Source: Chain Store Age/Lee J. Shapiro & Associates

Knives clash in market share war

Those "eight-in-one" knives advertised on late-night TV have supplied fodder for countless jokes. But the last laugh may belong to their marketers. *Chain Store Age*/MarkeTrends research indicates that consumers looking for knives or cutlery will shop anywhere to get what they want.

If the trend continues, the airwaves could do as well as the Big 3. Of the households reporting knife/cutlery purchases in the past year, a scant 8.1% shopped Sears, Penney or Ward. In comparison, 12.2% got their knives by mail order.

Discounters and department stores fared better, but not by much. Each nabbed approximately one-fifth of the past year's purchases. That just about matches the combined market share of specialty stores (12.2%) and supermarkets (6.8%).

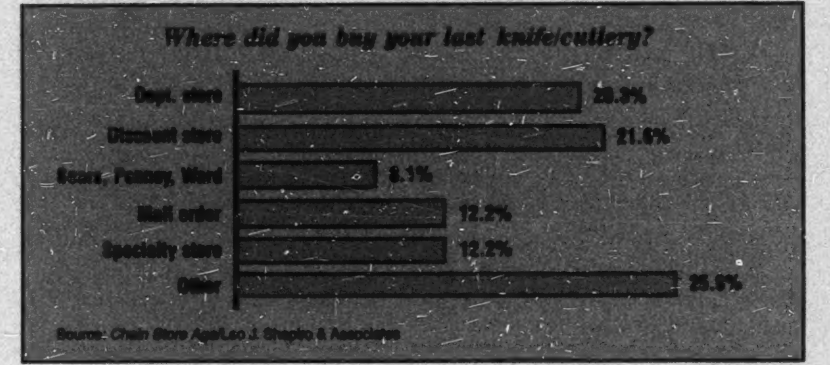
Factory outlets, catalog showrooms, even private-party transactions accounted for a significant portion of the business. A full 50% of the market fell to the control of specialty or unconventional retailers.

But that is not where consumers intend to buy their knives. Survey results indicate that the large chains may be disappointing their customers. Department stores and discount stores sound attractive to households planning to buy knives in the next 12 months. The two major retailer categories drew 37.9% and 34.5% of the store-preference mentions, respectively. Slightly more than 10% of potential buyers said they would head for the Big 3.

Detours are taken along the way, apparently. And not because of price alone. A meaningful 18.1% of those who actually bought knives named selection as their main reason for buying where they did. Nearly 7% cited quality as their criterion.

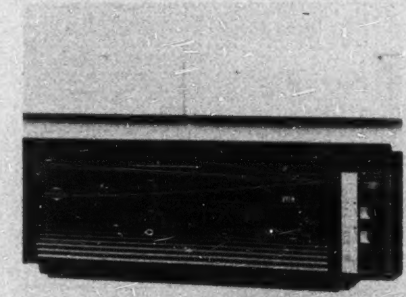
In contrast, only 45.8% of last year's purchasers listed price as their principal determinant. That is lower than many of the other products tracked in MarkeTrends.

Consumers appear to be saying that they will only buy the kind of knife or cutlery they are looking for. Moreover, they want it to work. Retailers unwilling to provide selection and quality face competition on all fronts. They may have a serious knife fight on their hands. ☐



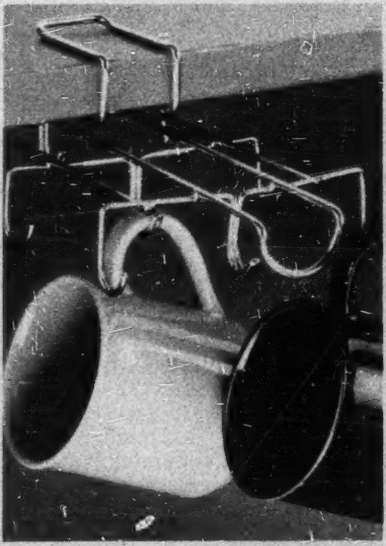
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Unlike other toaster/ovens, the new West Bend Oven-Up toaster/oven/broiler features a unique two-position design. For superior tasting, the unit has a compact position.

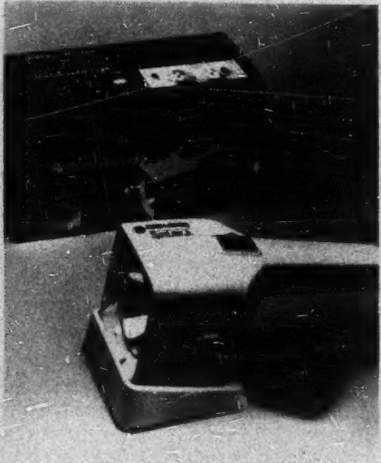


Turn the side handles and it expands for baking, roasting and broiling. Other features include electronic sensing; removable oven panels, rack and hinged crumb tray; and three control knobs. *(The West Bend Co. 400 Washington St., West Bend, Wis. 53095.)*

Selfix Inc.'s Sliding Mug & Cup Organizer provides an easy way to expand storage space by holding six mugs or nine cups. Made of Dura-Plated Steel, the unit attaches easily without screws or tools: Slip the self-mounting clip over the edge of a shelf and secure the Selfix tape tab for extra security. *(Selfix Inc., 4501 W. 47th St., Chicago, Ill. 60632.)*



Black & Decker introduces the new cordless rechargeable SpotLiter Jr. It has the same high quality as Black & Decker's popular SpotLiter, but features a compact design and abbreviated base. It weighs just 1.25 lb. and is less than 9 in. long. *(Black & Decker, U.S. Household Products Group, 1285 Boston Ave., Bridgeport, Conn. 06610.)*



That kind of exposure spreads slowly, however, and it leaves the product smacking of associations with illness. Advertising is essential say retailers, and the need for co-op is acute.

The cooperative advertising allowance is fast becoming an endangered species in domestics. Major mills such as Springs and Wamsutta recently announced plans to withdraw co-op dollars.

However, most comfort/health products are manufactured by smaller players. Many of them know they must dangle co-op programs to get into the store.

In fact, local newspaper ads currently play the major role in elevating these products from the word-of-mouth underground. It is even possible that a nationwide flood of Sears circulars could turn comfort bedding into a household word. But though the No. 1 retailer will add two sku's to its catalog line-up, including an all-wool mattress pad, it has no plans to put them in stores.

Vendors are trying their darndest, but most lack the deep pockets for national advertising. Span-America, whose main business is hospital supply, was able to support the Sleep Cloud with regional ads only.

Luke of Span-America throws the ball back into the retailers' court. The comfort items demand "a total marketing and merchandising job," he says. He makes no claim that the products will move by themselves.

Span-America does provide co-op allowances. For some chains, that has made a difference.

"Basically, when we run an ad, we sell it," says buyer Bill Lyles about the Sleep Cloud. Lyles buys domestics for ZCMI, a Salt Lake City-based department store chain. Without ads, he says, "Customers don't come in the store looking for it." He keeps price points sharp: $25 for a twin.

Advertising is not a cure-all, however. A Midwest retailer finds her customers looking askance at wool mattress pads for summertime. "It should be a year-round item, but isn't yet," she says. "I just ran an ad, and it didn't do anything."

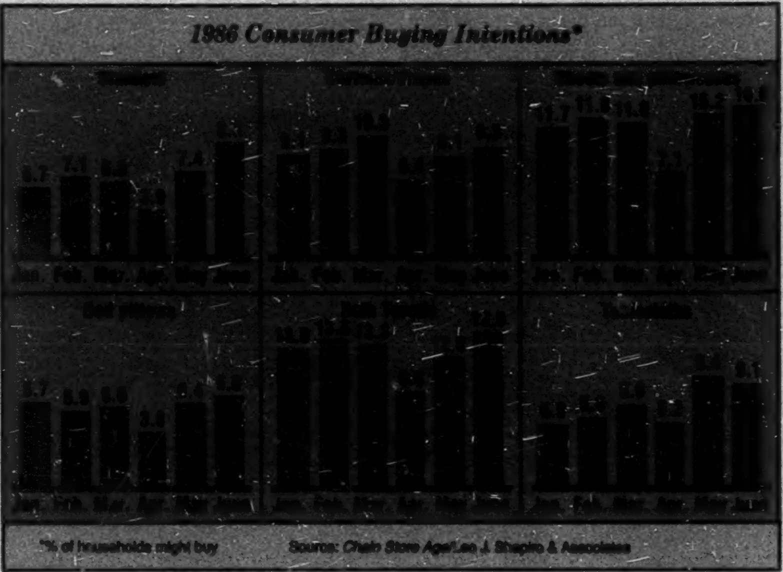
At Bullock's, however, buyer Rouzan finds that wool mattress pads priced at $70 in twin size "are a real easy sell."

"A lot of expensive cars have seats made of wool," says Rouzan, "and there are more expensive cars in California than anywhere else." That, she explains, is why Californians understand that a wool mattress pad keeps them warm in winter but cool in summer.

Whether it is through breaking an arm or driving an Audi, consumers slowly are becoming aware of comfort/luxury bedding. The category still requires commitment, ad dollars, and—in many cases—patience. Neiman-Marcus, for one, got tired of waiting. When wool pads failed to sell, Neiman's bailed out.

Volume is also low at ZCMI, but the Utah chain remains committed. Says buyer Lyles, "The [domestics] business has been somewhat static. This is a totally new angle." ☐

Domestics show continued growth



*% of households might buy

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Fresh breezes are blowing through bed and bath, according to the latest *Chain Store Age* MarkeTrends survey. Buying intention increased in all six domestics categories for the second consecutive month.

Unfortunately, the gains over the previous month were slight. Consumer interest reached record heights for all products except curtains/drapes. But in some cases, peaks were really plateaus.

Pillows, for instance, reached a high water mark. However, they were at almost the same level back in January. Nearly 7% of the households surveyed said they would shop for pillows in the next 12 months. That is an improvement over last month's results, but not enough to revive the category.

Bath towels also were dubious winners. The latest survey finds buying intentions rising, but hardly soaring. Slightly less than 14% of the households surveyed plan to buy a towel in the coming year. In comparison, 26.8% reported actual purchases in the past 12 months.

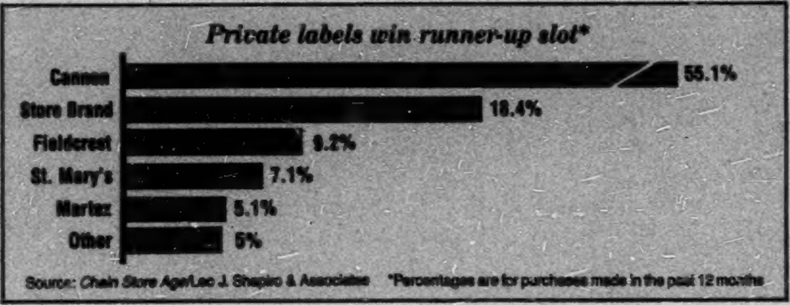
Twice the number of towel browsers can be expected to convert to purchasers. But that still will leave the category in a no-growth situation. Vendors predict that new jacquards and embellishments will help.

A more promising note was struck by sheets and pillowcases. With 16% of the survey's respondents counting themselves as potential next-year purchasers, and nearly 6% of those in the active market, the outlook seems good. The recent emphasis on thread count and cotton content may be spurring upgrade movement.

Blankets and tablecloths continue climbing. So do curtains/drapes, but in a hollow victory. Consumer buying intention for soft window treatments remains below March levels. Mini-blinds, recently fortified by new ad campaigns, threaten to leave soft treatments in the shade. ☐

Sears wipes up with towel sales

Towels have a way of leading themselves to nice presentations. Stacked up, they make colorful eyefuls even in down-and-dirty discount stores.



*Private labels win runner-up slot**

Source: *Chain Store Age*/Leo J. Shapiro & Associates *Percentages are for purchases made in the past 12 months

It seems a waste, considering that most shoppers buy them on price. That is the verdict of the latest MarkeTrends survey, revealing that nearly 60% of towel purchases made in the past 12 months were price-driven.

And why not, when retailers continue sparring in round after round of towel promotions? Mills still withhold prestigious labels from certain trade classes. But customers seem to care more about the price tag.

The result is a three-way market share split. MarkeTrends found that nearly equal portions of the past 12 months' towel business went to discounters and department stores. Their shares were 29.6% and 26.5%, respectively.

Edging both out were the Big 3, with their 33.9% grip on the market. Sears flexed most of the muscle. The nation's No. 1 retailer nearly matched all department stores combined, gulping one-fifth of the total pie. Penney's share was 11.1% and Ward's was 2.6%.

To grab that much market, Sears had to court shoppers headed for the discount stores. According to the survey, 34.2% of households with buying intentions think they will line up at discounters' registers. By comparison, 16.2% have Sears in mind.

But Sears proves more seductive than that. Its Open Home merchandising strategy could deserve some of the credit.

Also, the lid may have blown off the private-label cover. While Cannon still rules towels, accounting for 55.1% of actual purchases, store brands came in second. Consumers may be learning that their favorite mills make Big 3 towels.

Department stores also bit into the discounters' business. Less than 22% of the intending-to-buy group plan to shop department stores, but 26.5% of actual purchases were made there.

Discounters need to prevent shoppers' plans from going awry, research indicates. As margins on towels slip, the only way to win is through dominance.

The brand-name deck was reshuffled lightly since March, the last time MarkeTrends tracked towels. Then, as now, Cannon was the choice of more than half the actual purchasers. Fieldcrest doubled its share, now winning 9.2% of the brand mentions, compared to 4.5% three months ago. St. Mary's also proved more popular this time, boosting its share from 1.5% to 7.1%. ☐

The pillow trade-up is not yet firm

How to prod consumers to replace their pillows? A short while ago, natural fills seemed to be the magic solution. That may turn out to be half right.

A half-natural, half-synthetic combination seems to be working well for J. C. Penney. The mass merchandiser stocked most of its stores with a mixed-fill pillow in late '85. By March of this year, *Chain Store Age*/MarkeTrends showed Penney grabbing an impressive 15% of the market.

And the chain is still holding tight, the most recent survey reveals. Slightly more than 13% of households that purchased pillows in the past year shopped Penney's. That is just a slight decline from the March results.

How much did/do you expect to pay for a pillow?

	Might	Did
[illegible]	[illegible]	[illegible]
$11-$20	24.0	29.1
[illegible]	[illegible]	[illegible]
$36-$50	14.0	11.8
[illegible]	[illegible]	[illegible]

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In general, the Big 3 loom large in the minds of those with pillows on their shopping lists. Nearly 18% of households with buying intentions expect to end up in Penney, 7.1% single out Ward, while 5.4% have Sears in their plans.

Some will probably re-route. Judging by the consumers who actually purchased pillows in the past year, Sears will get somewhat more share, while Ward's will get less. But the Big 3 formed a solid front, controlling 27.6% of the market.

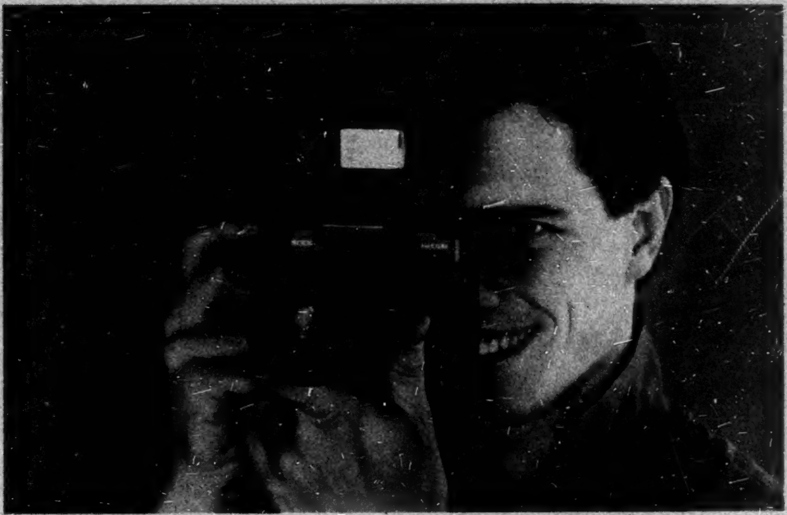
That is despite the fact that both potential and actual customers describe their store preference as price-driven. Yet discounters rang up only 29% of last year's purchases, topping department store share by just a hair.

MarkeTrends reveals that consumers can be coaxed up to down—but not too far along the high end. In the reverse of the usual pattern, shoppers spend more than they had planned. For instance, only 14% intend to pay between $36 and $99 for a pillow, but nearly 20% actually did.

However, the shock of encountering current pillow prices could be steering customers to the middle road of the Sears, Penney, Ward group.

In the Sears centennial catalog, for instance, "two-fer" promotions offer a feather pillow for $16 and a feather/down combo for $24.

The Penney and Sears catalogs also make strong statements in the emerging "posture pillow" category. ☐



In the race for autofocus SLRs, even Maxxum made a clone, the 5000.

SLR market warriors get tough

Minolta is boasting that Maxxum's phenomenal first year success has already accomplished one of the product's initial marketing goals—wresting first place for SLR sales away from archrival Canon.

Though MarkeTrends polling indicates that Minolta's claim may be just a tad premature (the latest survey still shows Canon in the top spot), there is no doubt that autofocus has changed the rules of the game for single lens reflex photography.

Now come the look-alikes. Nikon's N2020, touting an improved autofocus system (and a higher suggested retail—$463 without lens), hit the market in March. That same month, Minolta unveiled its own Maxxum clone, rounding out its line with the new 5000 on the bottom, the original 7000 in the middle and the Professional Maxxum 9000 at the top.

By September's Fotokina show, at least two more camera makers, including Canon, are rumored ready to introduce their own versions of an autofocusing 35mm SLR.

The only problem, admit even Minolta execs, is that the Maxxum phenomenon, while succeeding in grabbing market share gains, has not spurred greater customer interest in SLRs as a category. In fact, Japanese SLR production last year totaled a modest 6.1 million units, compared to a 1981 high of 7.7 million cameras.

MarkeTrends research lends little support to those who think that autofocus will grow SLR sales from snapshot customers trading up to more advanced features.

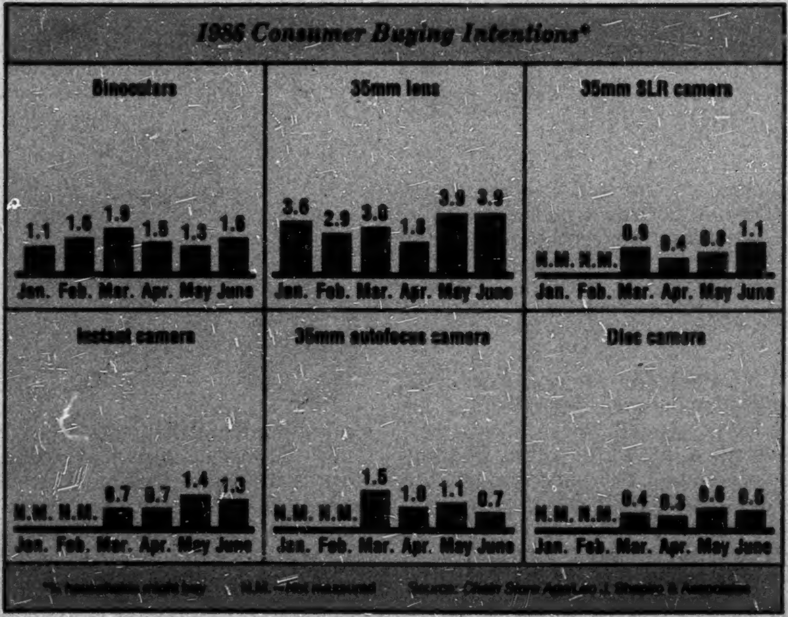
The number of households in the MarkeTrends poll who say they expect to buy a single lens reflex camera in the next 12 months has been riding an up and down roller coaster for the last four months. The number of customers actually in stores shopping for cameras, however, has remained stubbornly even, according to the survey.

While autofocus may become the new standard for single lens reflex cameras, the net effect on industry-wide sales could well be insignificant. Rather, the real effect of the boom in autofocus will be on market share gains—and losses—for the camera manufacturers themselves.

In what is, at best, a mature business, the field of single lens reflex camera manufacturers is overcrowded. If autofocus becomes the standard for SLRs, as now looks likely, some of the weaker competitors could drop out of the business entirely. Startup marketing costs, as well as research and development expenditures, may represent a heavier investment than the potential payoff.

Lens shutter autofocus cameras are another question. With the exception of the June MarkeTrends survey, consumers still seem to prefer the simplicity of lens shutter snapshot technology. For the last four months, the survey reveals that on the average 50% more customers are in stores shopping for lens shutter cameras than are shopping for SLRs.

The best bets for success in a difficult environment, according to the survey, are Canon, Minolta, Nikon and Pentax. When asked what brand SLR camera they expect to buy, nearly 9 out of 10 of the poll's respondents choose one of the top four brands. ☐



*% households might buy   N.M.—Not measured   Source: Chain Store Age/Leo J. Shapiro & Associates

Dark cloud behind the silver lining

Sales for the 17 retail companies tracked by *Chain Store Age* recorded an 8.5% gain in April, but hidden within the first quarter's best year-to-year monthly comparison were continuing signs of overall weakness.

Some sales gains may have come at the expense of margins. The May Department Store Co. reported volume for its department store division up 7.7% and comparable store results gaining 5.8%. Before a final week promotional blitz, however, its department stores are reported to have been running as much as 8% behind last year's levels.

Among the electronics specialty chains, only Radio Shack operator Tandy managed to squeeze out comparable store gains. Sales for its U.S. stores in operation for more than a year edged up 4% in April. For Richmond, Va.-based Circuit City, same-store volume was equal to a year ago, while City of Commerce, Calif.-based The Federated Group reported comparable-store results down 8%.

Though J. C. Penney and discounter Bradlees both reported strong sales for consumer electronics in April, the broader trend indicates that retailers' five year honeymoon with home entertainment may well be coming to an end. Sales for electronics at Carter Hawley Hale's department stores are down 4% on a comparable store basis for the first quarter.

Other home store departments perked up again in April after a disappointing March. Sears, which reported a 1.7% sales gain for the U.S. Merchandising Group, cited relatively strong increase in both home fashions and appliances.

J. C. Penney reported good results in home store areas, with furniture, bath shop, housewares, small appliances, table top and window treatments showing the strongest sales. For the first quarter, however, Penney's real star was its catalog, which reported volume up 14.9% to $507 million in the first three months.

Despite the uptick in home store sales, overall results in April were modest. While J. C. Penney same-store results gained 7.5%, Sears U.S. operations recorded a meager 1.5% comparable-store increase. Allied's same-store figures nosed up 2.7%, while Dayton Hudson reported a 4.4% comparable-store gain.

K mart volume increased a meager 0.7% in April, though the company predicts that profits for the quarter will come in higher. On the heels of K mart's April sales report, however, came Standard and Poor's reduction of its debt ratings.

Citing a high debt incurred to modernize and diversify, Standard and Poor's reduced the ratings on approximately $500 million in senior and subordinated debt.

The debt rating reduction was hardly a ringing endorsement for K mart's upgrading and diversification programs. "While positive results may still be forthcoming," Standard and Poor's said, "there can be little assurance that K mart's expectations will be realized any time soon, since most discount competitors have also been updating and upscaling their stores, systems and merchandise."

Wal-Mart's addition of 18 Sam's Wholesale Clubs in the last 12 months, meanwhile, seems to be paying off for the Bentonville, Ark.-based discounter. Same-store results increased 13% in April and 17% for the first quarter.

Is April's 8.5% sales gain misleading?

		April sales*		Stores		3-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,2]	+ 1.7	1,898,900	1,867,607	799	796	5,699,390	5,714,557	− 0.3
Penney[2]	+ 7.8	903,000	838,000	1,904	1,894	2,775,000	2,589,000	+ 7.2
Ward[1,3]	− 1.8	285,500	290,700	293	364	850,700	880,700	− 3.4
Dayton Hudson	+ 8.8	607,800	558,600	1,216	1,146	1,950,000	1,760,000	+10.8
Federated[4]	+ 3.6	583,100	563,200	485	468	1,838,600	1,752,800	+ 4.9
May Dept. Stores	+11.8	389,200	348,100	2,116	1,900	1,183,800	1,066,300	+11.0
Associated Dry Goods	+ 6.6	317,700	298,000	349	336	972,200	915,000	+ 6.3
Allied Stores	+ 6.8	297,600	278,700	667	604	946,700	880,300	+ 7.5
Carter Hawley Hale	+ 4.4	292,000	279,700	296	277	866,800	836,100	+ 3.7
Mercantile	+ 8.7	141,300	130,000	80	79	430,800	397,700	+ 8.3
K mart[5]	+ 2.2	1,708,100	1,670,700	2,182	2,172	5,008,300	4,818,000	+ 4.0
Wal-Mart	+39.2	874,000	628,000	919	770	2,344,000	1,656,000	+41.6
Zayre	+31.0	369,500	282,100	1,001	862	1,093,200	832,200	+31.4
Bradlees	+38.5	126,000	91,000	156	132	371,000	282,000	+31.6
Tandy	+12.0	243,532	217,489	N/A	N/A	749,349	659,595	+13.6
Circuit City	+27.4	53,000	41,600	74	86	153,100	113,700	+34.6
Federated Group	+17.8	25,800	21,900	59	45	87,700	68,900	+27.3
Totals & Averages	+ 8.5	9,116,032	8,405,396	—	—	27,320,639	25,222,852	+ 8.3

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only.

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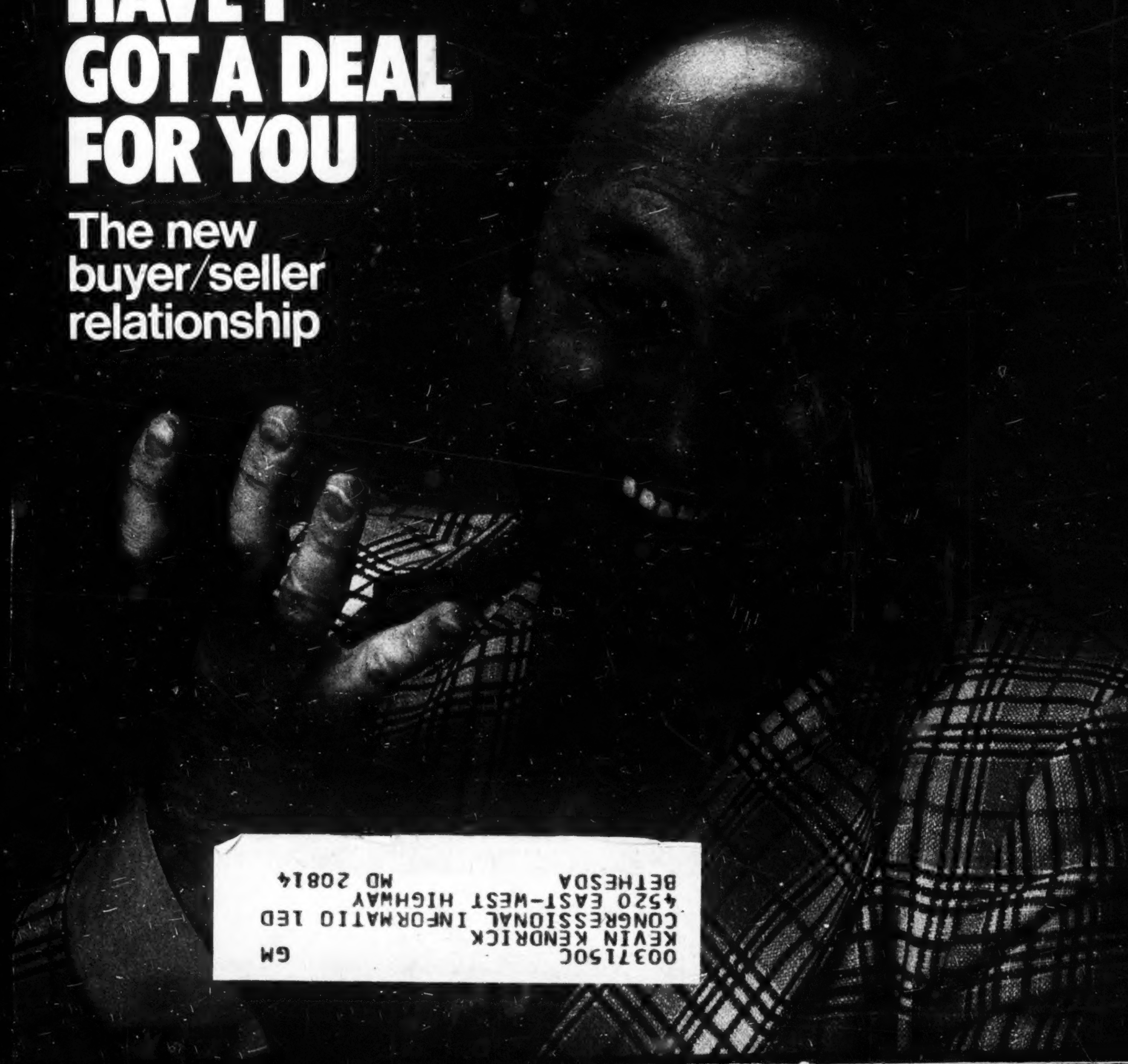
Chain Store Age

GENERAL MERCHANDISE TRENDS JULY 1986

HAVE I GOT A DEAL FOR YOU

The new buyer/seller relationship



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BEHIND NET-NET TERMS LURK HIDDEN

FAVORS

That is what some retailers claim as they watch warehouse clubs get special vendor services—at no extra charge. Is the playing field level for the new retail game?

George Orwell would not have even lifted an eyebrow. In the retail *Animal Farm* where deals are made, all animals are equal.

But some animals are more equal than others.

That is what some retailers are saying. They claim that vendors carry two sets of price sheets—one for their store, another for the powerhouse outlet that opened up down the road.

Different prices for different retailers are nothing new. And they are perfectly legal. Under federal trade law, if a merchant allows a producer to "escape" a cost of doing business, then the merchant is entitled to a discount.

Big-volume orders, for instance, generally result in escaped costs. Which is why K mart can drive a harder bargain than the Ma-and-Pa Corner Store.

Trouble arises, however, if Ma-and-Pa cannot even get access to the terms offered K mart. "Producers have to make things available on the same terms to everybody," explains Winston S. Moore, assistant director of policy planning for the Federal Trade Commission.

But these days the retail community is buzzing about issues like these:

- Discounts for early payments, known as anticipation allowances, are offered to certain retailers who have not even asked for them. Yet other retailers who want anticipation must sniff out its availability.
- For years, vendors passed escapable costs on to retailers. If vendors agreed to accept returns of unsold merchandise, for example, they charged for the inconvenience. But now vendors are price-marking,

Vendors are happy to oblige warehouse clubs by prepricing and palletizing the merchandise.

palletizing and specially packaging merchandise without charge. However, they do not do it for everyone.

- When ordering items like potato chips, one class of trade can get the cheaper "institutional pack." Others must take the regular retail bag, to which the vendor tags a marketing overhead charge.

In all three cases, the retailer calling the shots was a warehouse club. And the vendor insisted that any other type of account could negotiate exactly the same deal.

If the vendors are right, then it is a wonder that no other trade classes have thought of doing it.

Or could it be that only warehouse clubs are in a position to do it?

The dozen or so clubs operating in 1985 rang up $4.4 billion in sales at a total of 114 warehouses. Sales per store are staggering, but the combined sum represents only a drop in the retail bucket.

Analysts forecast galloping growth, with some predicting annual sales of $20 billion by 1990. That, say some vendors, is why they are eager to oblige this market segment.

And the clubs are not always easily pleased. One of the four biggest players switched battery vendors when its source refused to premark merchandise with price codes.

Other vendors are happy to accommodate. Many insist that prepricing and palletizing are as easy as breathing. Foley Co., a cookware resource, cites club accounts as its fastest growing sales segment and "sells to everyone of them," says sales vp Gerald McWeeny.

To get club business, Foley puts merchandise on pallets, uses special cartons and applies item numbers to them. Each club, McWeeny says, has its own number system. Asked about the costs involved, the sales vp commented, "It's the cost of doing business."

Asked whether the cost is passed on to the club, McWeeny hesitated a moment. Then he said, "Cost is predicted on service." According to him, turns matter more to the clubs than cost anyway, "because they only mark up 10%."

That is not how the warehouse clubs tell it. At Seattle-based Costco, finance vp Richard Gallanti says that the clubs' tight margins (8% to 10%) leave little cushion. "If you can cut a per cent off the costs, it's very significant," observes Gallanti.

And Sherwin Deutchman, vp merchandising of Buyers Club says that special packaging for warehouse clubs does involve additional costs. "The vendor absorbs it," he says.

However, Deutchman, whose company also operates the Illinois-based Union Hall discount stores, believes that discounters can get the same deal. "The competition between the clubs and discounters is not great," he says.

Referring to the multipacks of toothpaste and deodorant that are common at warehouse clubs, Deutchman doubts that discount stores need them anyway. "The larger packages are sizes that the average consumer that shops the discount stores can't use," says the Buyers Club exec. "Except," he amended, "large families."

And large families also go to discount stores, leading a topsider at one Midwest discount chain to complain of the clubs, "They're soaking up the available dollars." As for special vendor treatment, this source sighs, "Since they're a big, explosive retail outlet, I can only assume that vendors are going to clamp on, and [the clubs] will get concessions that we cannot."

Anchor Hocking is a club-courting vendor, selling to all the big warehouse operations. Does palletizing cost money? "What doesn't?" laughs Anchor marketing vp Howard Bobroff, though he describes the costs as minimal.

"You have to look at the volume potential," says Bobroff. As he sees it, the key factor is the narrow assortments carried by clubs—about 4,000 sku's per warehouse. Some discounters have that many in just their housewares department.

"It's simple math," says Bobroff, pointing out that the average warehouse is expected to pull in $50 million annually. That computes into big sales for each of the lucky 4,000 sku's.

Tight assortments have also enabled warehouse clubs to pay early, giving them access to "anticipation" discounts. Anticipation allowances have been around "forever," says Coopers & Lybrand retail specialist Robert Zimmerman, and, theoretically, they are available to everyone.

Black & Decker even has a special blank on its price sheets where customers can take a discount if they promise rapid payment. "We'll take anyone's money early," says B&D merchandising manager Maurice Hennerby.

But Hennerby concedes that warehouse clubs are the usual takers. They have "a unique opportunity," he says, citing their frequent turns and positive cash flow.

Another reason: anticipation can only be taken on an entire order, not for specific items only. Since the clubs normally order only one to four items from a single vendor—the hottest ones, likely to turn fastest—that is no problem.

"A mass merchant heavy with cash" could also want to take anticipation, says Hennerby. But that might mean paying within 10 days for half the vendor's line.

Moreover, not every vendor lists anticipation on its menu of terms. Cal Lambert, dmm of home furnishings at ZCMI, says his department store chain gets anticipation, but often it takes detective work. Lambert feels that it is part of a modern-day buyer's job to go sleuthing for such things.

"We get the same access to deals if we know about it," says the Salt Lake City-based merchandiser.

Lambert notes that anticipation is desirable only for fast-moving items. Dating—placing a whole season's order early and taking months to pay—is preferable for slower-moving goods. Both, he adds, are offered only for high-volume orders.

"There used to be terms on everything," laments Lambert. "Now it has deteriorated."

But vendors make deals easy for certain retailers to find. Sunbeam, for one, sometimes dangles anticipation before key accounts. It is done when "we need cash," explains sales and marketing vp Paul Saxton, who compares the practice to the arbitrage market for money.

While Saxton does not say that warehouse clubs are the only retailers approached, he does note that the clubs like to work on anticipation.

Saxton stresses that "anything we forgive on the price is on a cost-escapable basis." If anticipation results in a discount of 1% per month, it is because the average cost to Sunbeam of borrowing is 12% annually. The quick-paying customer gets a break roughly equal to the cost of money.

But Costco financial vp Gallanti says that Costco can sometimes get money from its bankers at below-average interest rates. In those cases, anticipation rates more than compensate Costco for footing finance charges.

Anticipation can be a sweet deal for vendors, too. Coopers & Lybrand's Zimmerman calls it "a short-term investment instrument." Who benefits? Says Zimmerman, "It depends who was squeezed and had to ask for it."

Warehouse clubs, in effect, can become a vendor's bank. That may be one more reason why they are favorite children. Their bare-bones, "institutional" look gives them favored status, too. Gallanti imagines other retailers turning green as they shop the clubs, noting the lower-priced institutionally packed dry foods on the shelves.

"We have to prove we are more institutional than other retailers," says Gallanti, who thinks some clubs are playing with fire by relaxing membership rules and laying down carpeting.

Strict membership requirements could also help stem anticompetition claims. "Legally, membership doesn't matter," says the FTC's Winston S. Moore, "but it does give them a way to say they're not soliciting your customer."

Moore adds that anti-trust laws assuring equal access to deals are no longer actively enforced. Indeed, the Reagan administration has proposed dismantling the FTC.

Clubs get the best deals "because we say, 'Just ship it.'" says Warehouse Club exec Samuel T. Gentles Jr.

Not quite, says the competition. ☐

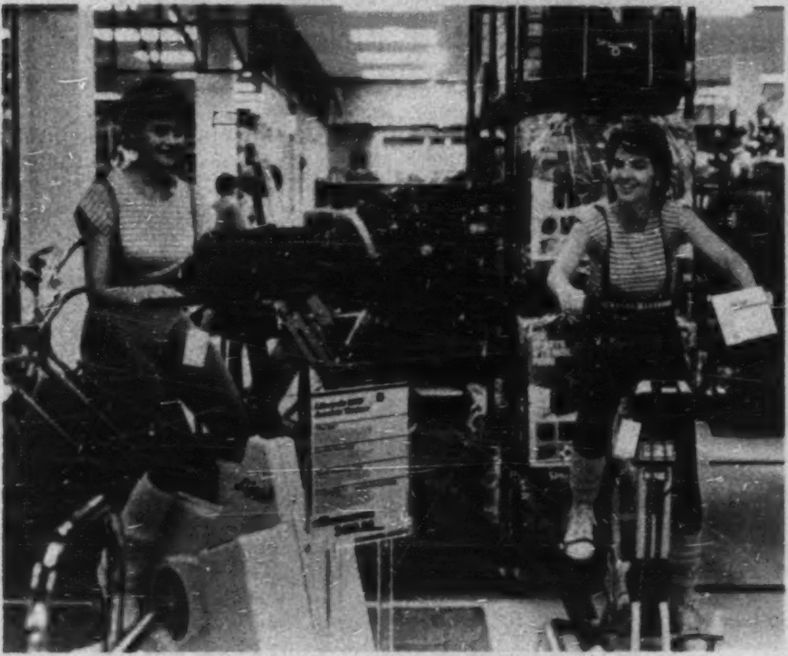
—Marcia Biederman

The Best Little Warehouse in Niles
Warehouse Club

Clubs usually cherrypick one to four items from vendors, those that turn fastest.

SPORTING GOODS

SALES: $28 BILLION



Exercise bikes once again were solid products, posting $288 million in sales.

Sporting Goods: steady and solid

Retailers saw continued growth in cycles, and rowing machines . Reebok outperformed them all.

In a year of few great winners the sporting goods industry had an exceptional year. More consumers took interest in their well being, and opened their wallets to enhance their physiques.

The sporting goods industry saw an 88% increase in annual sales from last year, churned out principally by rowing machines, cycles, multi exercise machines and the galloping paces of Reebok footwear.

Since its U.S. introduction in 1983, Reebok International Ltd. has seen its wholesale sales rise dramatically from $12.8 million in 1983 to $66 million in 1984 and a phenomenal $307 million in 1985. According to Sharon Cohen, vp of advertising for the firm, the first quarter of 1986 has already produced $174 million in sales. If Reebok continues at that rate it should reap approximately $700 million in 1986, a large chunk of the overall industry. Those figures are not too bad for a company with its main thrust on a single product. Until introducing sportswear and accessories in spring '85, Reebok produced its stellar results with one line only.

Retailers are the beneficiaries of Reebok's fancy footwork. A Dayton Hudson spokesman says, "The Reebok footwear category was our biggest seller in 1985 and [the trend is] continuing through 1986." George Walker, director of sales promotions for Herman's World of Sporting Goods, a N.J.-based sporting goods specialist comments, "Reebok was the best producer."

What makes these merchants so happy is the Reebok's distribution system. The line is offered only to sporting goods specialty stores, who control approximately 80% of the market and department stores, which make up the balance. Reeboks are not yet available to mass merchants. But Cohen indicated that Reeboks may someday arrive on discounter's shelves.

The line includes roughly 30 different styles, for both sexes. Since some styles cross over the gender lines it was hard for Cohen to determine whether the product had a stronger appeal to men or women. And people apparently are not concerned with the price tag, usually retailing at an opening price point of $45. Nor does the price prevent them from buying multiple pairs. According to Cohen, "The average [Reebok] customer has between two and three pairs within the brand."

The style assortment is broad, ranging from the popular black basketball high top to the soft leather aerobic shoe. Bubble gum pink and banana yellow are important colors.

Reebok was not the only major manufacturer to see big profits in 1985. According to Sebastian Di Casoli, director of marketing services for the Sporting Goods Manufacturers Association, of the $28 billion spent on the category at retail in 1985, the big winners again this year were cycles, ringing up $288 million in sales, while multi exercise machines posted $232 million and rowing machines produced $207 million.

Di Casoli says he expects cycles to remain good sellers in 1986 and golf to make a bigger comeback each year as yuppies approach the golfing enthusiast age of 45-50. □

Productivity breakdown

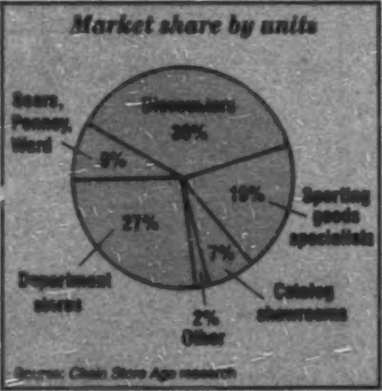
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$75	$88	$118.13
Annual turnover	1.8	3.2	2.8
Gross margin	36.6%	33.5%	28 [illegible]

Source: Chain Store Age research

Growth areas

- Reebok shoes
- Rowing machines
- Golf

Market share by units



Source: Chain Store Age research

FARBERWARE
FARBERWARE
FARBERWARE
FARBERWARE

Taking heat from imported cookware, domestic products saw sales fall 12%.

Nonelectrics struggle through '85

Retailers tried everything from imports to new products and still the industry only saw a 2% rise.

Trouble struck the nonelectrics housewares category last year. Sales climbed a mere 2% from 1985 levels, and turns and sales per square foot declined for many retailers.

"Nothing was superhot in cookware," says Pamida buyer Jim Redberg. Other chains agree.

Pointing an accusatory figure at the strong dollar, the Cookware Manufacturers Association reports at 12% drop in industry sales of domestic products. Made-in-the-U.S.A. metal cookware and bakeware sold for $1.2 billion at retail in 1985, down from $1.3 billion a year earlier.

Revere Ware, whose parent company emerged from Chapter 11 bankruptcy last July, has begun importing cookware parts from Korea. Still searching for the formula that will revive its pots and pans, Revere is adding an aluminum-bottom line.

"The aluminum bottom is perceived as better," says Ken Duncan, sales vp for Revere, which will continue marketing the copper-bottom cookware it premiered in 1939. In those days, Revere Ware did not have to buck a half dozen foreign competitors.

Retailers themselves are the principal importers of low and moderately priced cookware. But they are not thrilled with consumer response.

High-end products performed better for one West Coast department store chain. "It's less affected by price fluctuations," explains a buyer. "If people are going to buy Calphalon, they buy it whether it's on sale or not." His stores also did well with Cuisinarts.

Other department stores credit "defined distribution" for good results in gourmet cookware. When a store can say that Pro Chef or Cuisinware is "ours alone" within a market, sales rise.

The outlook for microwave cookware is good. Pamida names Republic Molding's popcorn maker as a 1985 top seller. Plastic/fiberglass entrants are expected to do well this year, especially bacon racks, partitioned dishes and soup mugs—products well suited for microwave warm-up uses.

For more elaborate microwave uses, some merchandisers prefer traditional cookware such as Corningware." It's more versatile," notes a buyer.

Mikasa tabletop was a top-grosser for department stores. "We had a big success with Studio Nova," reports Marshall Field dmm Ray Berger. A California retailer also singled out the fashion-forward tabletop line for mention.

Some buyers are betting that Savoir Vivre, another department store Mikasa line, will repeat the success. Others are wary of its open-stock format.

The thermal carafe's heyday has ended. A Midwest discounter did well with the Thermos Coffee Butler. But other merchandisers pronounce the carafe dead.

Sears' biggest hits were Corning's Visions Cookware and its private-label aluminum-care cookware with glass lids. In general, cookware did well for Sears, according to a spokesman. The retailing giant has been conducting in-store promos of Woodwind, its own gourmet nonstick cookware.

DuPont's Supra nonstick coating has impressed few retailers to date.

Barware could emerge now that fashionable acrylics have arrived. ☐

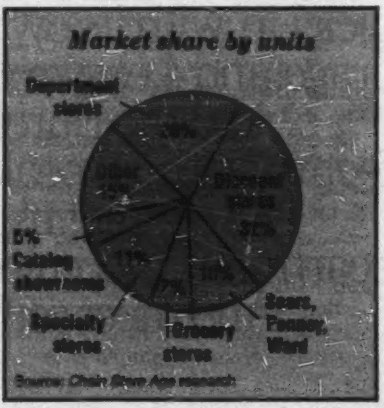
Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
[illegible]	[illegible]	[illegible]	[illegible]
Annual turnover	1.7	2.3	3.8
[illegible]	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age* research

Growth areas

- Microwave cookware
- Mikasa tabletop
- Barware and partyware (seasonal)


Market share by units

Source: *Chain Store Age* research

SALES: $20.4 BILLION

Electrics charged up sales

With an 18% increase in electric housewares sales, many retailers were smiling at year's end.

Innovation and Eurostyling helped perk up sales in many electric categories.

A surge ripped through electronics last year. Sales climbed 18% to $20.4 billion, and productivity improved.

Margins rose for both discounters and department stores. Turns increased while vendors held the line on prices. Only 23% of domestic manufacturers raised their prices in 1985, according to the National Housewares Manufacturers Association. Half plan no increases in 1986.

It was the year of the microwave oven. A record 10.9 million were shipped last year, with compacts accounting for 40%. Analysts predict only a 1% decline for '86.

In just the first five months of this year, the Emerson 0.4 cu. ft. microwave reaped $1 million for Heck's. Retailing at an everyday price of $99, it heated up the cash registers last year for the West Virginia-based discount chain.

Full-size food processors stopped growing in 1985, though one California department store did well with the Cuisinart. Elsewhere, the star was Sunbeam's Oskar. As other compact food processors hit the shelves, that segment is likely to thrive.

Innovative and Eurostyled electrics sparked sales at department stores. One West Coast chain reports success with "many brands" of shower radios and the Donvier ice cream maker. At Marshall Field, Salton's Wet Tunes jazzed up housewares.

But the factor helping Field's most was a small investment in under-the-cabinet and a big statement in Eurostyle, says dmm Ray Berger. Krups and Braun coffeemakers were hits.

As Eurostyle irons and toasters join the ADCs, department stores may again cash in on the look. Some buyers began this year griping about supply problems with Rowenta toasters. A new marketing organization could provide the remedy.

The popular Simac iron has also switched marketers. Field's did well last year with the Italian high-end iron, retailing it between $100 and $125.

Some discounters have high hopes for Eurostyled mass products, such as the face-lifted Mr. Coffee and Norelco ADC's. Danner's buyer Mark Lecklider thinks they will spark interest in a category long dominated by "dinosaurs."

But a merchandiser at another Midwest discount chain sees rebates as key. Last year, he moved 2,500 Sunbeam 11-in. skillets in one month. "That's substantial," he says, crediting a $6 rebate.

Those comments come at a time when Norelco is moving to eliminate rebates. It remains to be seen whether the professed antirebate retailers will support Norelco.

Irons did well at Sears and elsewhere. "Smartness" and vendor ads livened up the category.

Several sources mentioned Sunbeam's cordless line as an outstanding performer. But cordlessness did not appear to fulfill all the extravagant predictions for it.

On the other hand, a "sleeper" product leaped onto center stage. Consumers showed up in stores demanding electric juicers. Some retailers trace interest to the best-selling book, *Fit for Life*, which insists on home juicing and recommends Oster and Panasonic brands.

Travel items, especially the Franzus line, moved briskly last year. Retailers report good movement in early '86 also, despite fears of traveling abroad.

Electronic scales should take wings, especially as price points tumble. *Chain Store Age* research shows consumers ready to snap them up. ☐

Productivity breakdown

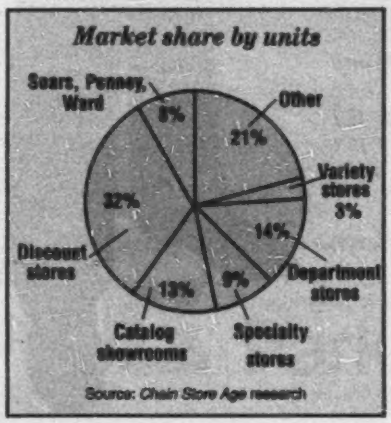
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$196.6	$165	$180
Annual turnover	2.6	3.4	3.7
Gross margin	22.1%	22%	23.5%

Source: *Chain Store Age* research

Growth areas

- Compact food processors
- Eurostyled appliances
- Microwave ovens
- Irons

Market share by units



Source: *Chain Store Age* research

SALES: $27.6 BILLION

Stationery sees small gains

Not an exciting year in stationery as BTS spending drops, writing instruments and greeting cards rise.

Productivity breakdown

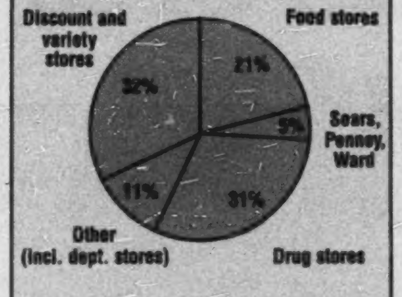
	Dept. stores	Big 3	Mass merch./ variety
[illegible]	[illegible]	[illegible]	[illegible]
Annual turnover	2.7	3.3	3.06
[illegible]	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age* research

Growth areas

- Record-keeping books
- Gift wrap
- Greeting cards

Market share by units



Source: *Chain Store Age* research

Gift giving has taken on a serious approach. Consumers no longer just put deep thought into the gift they buy, they also take the wrap they place around the gift seriously.

The Christmas season remains the strongest sales period for giftwrap with consumers making between one and four purchases.

The introduction of new styles, upgraded paper quality and innovative displays helped lure the customer to the fancy packaging and rang up big sales at the registers during the holiday season.

Back-to-school time is important to this category, but results last year were not encouraging. Total BTS spending in 1985 declined from the levels of previous years, with stationery netting its usual share (11%, compared to apparel's 57.2%). That translates into fewer dollars spent on the low-margin stationery basics that continue to dominate BTS purchases.

Desk accessories last year followed the route of consumer electronics and housewares products. Color was key. Staplers, desk pads, note pads and tape dispensers broke the gray-and-beige barrier, as fashion reached the desk. Some department stores welcomed the opportunity for multiple sales by merchandising items as color-coordinated sets.

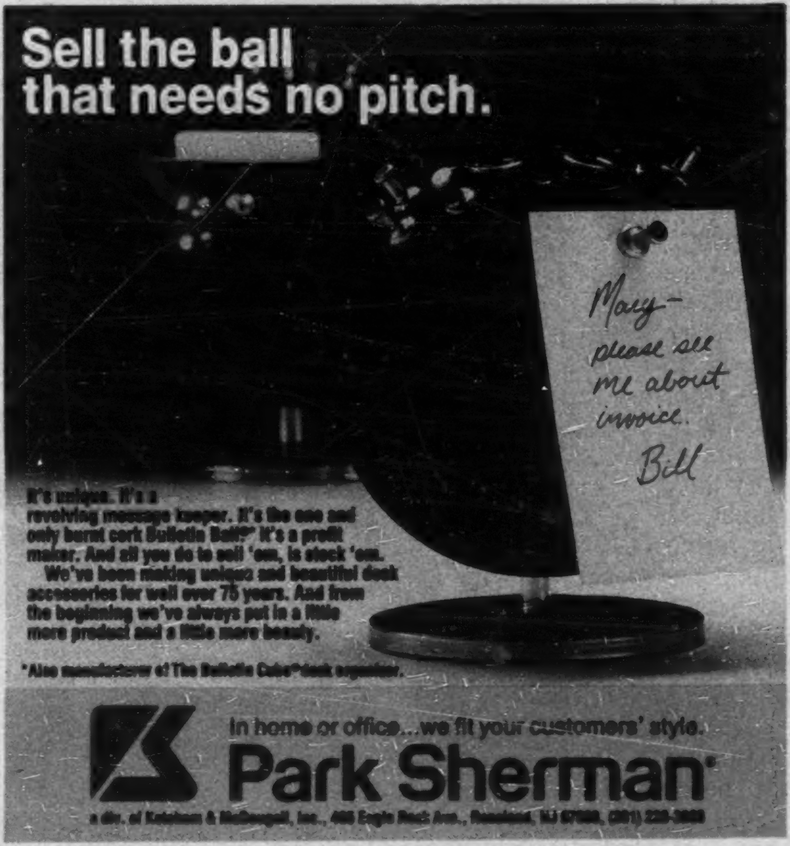
Fine writing instruments saw a sizable increase in sales this past year. Many retailers feel that the trend is a result of two factors. Trade-ups fuel sales as consumers start off with a moderately priced set and then upgrade ($50+).

The fiercest fighting for the stationer is on the greeting card battleground. Some new manufacturers have decided to enter the area where conservative vendors fear to tread. And are soundly trouncing them. The new entrants are forcing established companies to manufacture riskier lines in order to combat the loss of market share in this increasingly popular category.

American consumers are no longer afraid to send cards with messages that used to be reserved for whispered conversations.

According to a report by Kidder, Peabody and Co., as of July 1985 food stores continued to control the largest portion of the $575 billion retail greeting card market (46.6%), followed by department stores (24%), other stores (14.8%) and drug stores (8.3%). General merchandisers hefted 4.6% and 1.6% went to variety stores.

There is obviously more territory to be staked out by department stores and mass merchandisers. ☐



Sell the ball that needs no pitch.

It's unique. It's a revolving message keeper. It's the one and only burnt cork Bulletin Ball!* It's a profit maker. And all you do to sell 'em, is stock 'em.

We've been making unique and beautiful desk accessories for well over 75 years. And from the beginning we've always put in a little more product and a little more beauty.

*Also manufacturer of The Bulletin Cube™ desk organizer.

In home or office...we fit your customers' style.

Park Sherman®

[illegible]

SALES: $25.5 BILLION

Ready-to-assemble is ready to go

RTA furniture is the fastest growing segment of the home furnishings market. Now RTA may upgrade.

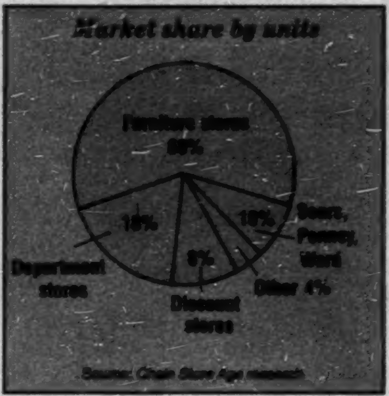
Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$71.46	$78.29	$94
Annual turnover	1.7	2.8	2.3
Gross margin	41.1%	39%	28.7%

Source: *Chain Store Age research*

Growth areas

- Entertainment centers
- Storage and wall units
- Microwave carts



Market share by units

Source: *Chain Store Age research*

Knock-down, ready-to-assemble furniture produced bang-up results at retail last year, ringing up $500 million. That is modest, compared to the $25 billion garnered by case goods. But in terms of growth, KD scored a KO.

While case goods grew only 9% over the previous year, RTA continued its rapid expansion. The complaint at the Southern Furniture Market Center is that consumers are forgoing upholstered furniture in favor of home electronics. RTA, on the other hand, has benefited from the audio-video craze.

Unassembled entertainment centers were the hottest RTA product last year at Caldor, according to a spokesman. That is also true for most other discounters. The microwave boom has also been a plus. "Microwave carts are still a very, very fine business," says Robert McCarthy, vp marketing for Gusdorf.

Bookcases and storage units were also strong RTA performers. Consumers are growing accustomed to greeting their new furniture with a screwdriver.

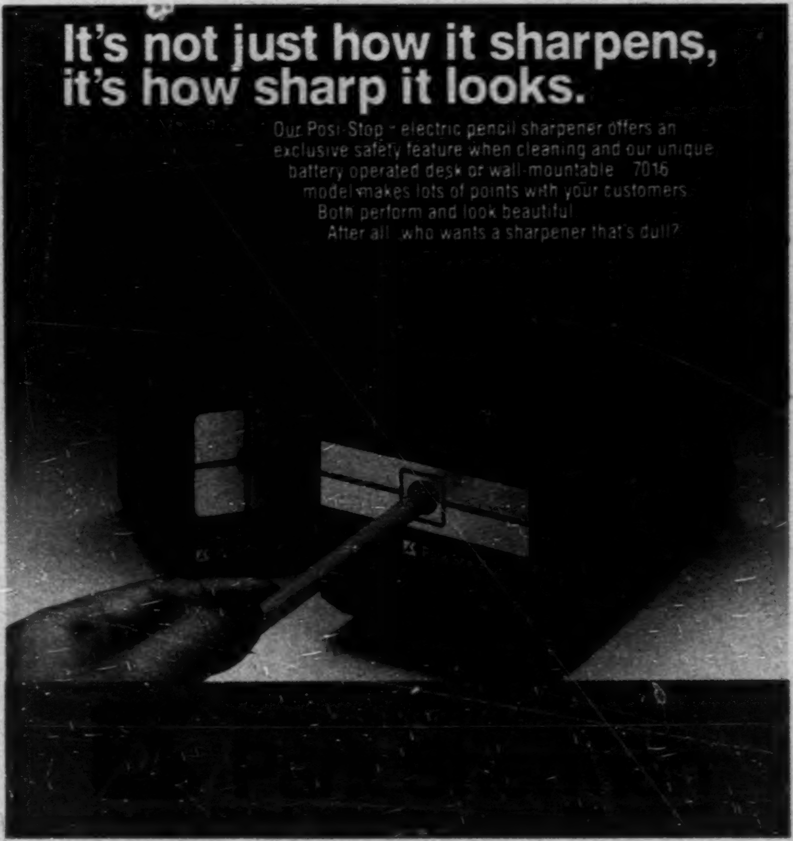
Currently, most of the volume is in low-end units, which dominate the mix at discount chains and home centers. But several makers of higher-end RTA are struggling to break out of furniture stores and into the mass market.

"In home centers, it's hard to sell quality," concedes Phil Malone, vp marketing for Singer Furniture. A small player in RTA, Singer hopes to open new distribution channels. The marketing vp notes some upgrading movement at certain home center chains and at warehouse clubs, which do a big business in office furniture.

Says Malone about Sam's Wholesale Clubs, "They're upgrading. Not everything that's in there is a vinyl piece of junk."

Better quality RTA has done well for specialty home furnishings stores, such as Conran's and IKEA. "We found that the same items that were best sellers here were also best sellers in our European stores," observes IKEA buyer Phran Novelli. Bookcases, bureaus and a juvenile multiunit moved best for the European retailer during its first year in the U.S.

Lamps are another home furnishings hot spot. Lloyd S. Howard, director of a New York lighting market center, notes a renaissance of the floor lamp, including the torchiere. High-tech lamps by Luxor and others flourish as home offices multiply. Howard sees table lamps with glass or crystal bases as the next growth area. Ginger-jar and pharmacy lamps are steady. ☐



It's not just how it sharpens, it's how sharp it looks.

Our Posi-Stop electric pencil sharpener offers an exclusive safety feature when cleaning and our unique battery operated desk or wall-mountable 7016 model makes lots of points with your customers. Both perform and look beautiful.
After all, who wants a sharpener that's dull?

SALES: $20.8 BILLION

New ideas for long or short hair

Hair treatments such as mousses, gels, liquid stylizers and temporary colors were big winners.

Productivity breakdown

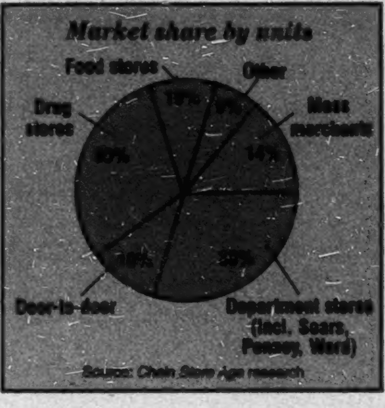
	Dept. stores	Big 3	Mass merch./ variety
[illegible]	[illegible]	[illegible]	[illegible]
Annual turnover	3.2	3.8	3.5
[illegible]	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age* research

Growth areas

- Hair treatment products
- Tartar control toothpaste
- Artificial nails

Market share by units



Source: *Chain Store Age* research

"Hair, glorious hair." Those must be the words retailers, especially discounters, are saying this year. It seems these days no one gets up, washes and dries their hair and runs.

Male and female consumers alike have to put something on their locks first, whether it be a mousse, styling gel, temporary color or liquid stylizer.

Consumers are concerned that their hair looks as good at 5 p.m. as it did at 8 a.m. And these products are the answer to their dilemma.

The newest addition to the hair treatment industry is temporary hair coloring—that which rinses out in the wash.

Introduced this year was Sassoon's Colorific, a 10-sku line of color mousses and a six-sku line of color gels with price points of $4.95 for the mousse and $3.98 for the gel. Another alternative product for hair coloring is Roux's Fanci-full Color Styling Mousse, a 12-sku line retailing at $4.95. Clairol's Pazazz is a four-sku line of color mousses or gels retailing for $3.49.

These products are targeted to the 18-35 female age group, hoping to lure these women to trendy hair colors, when they would not normally be considering hair coloring.

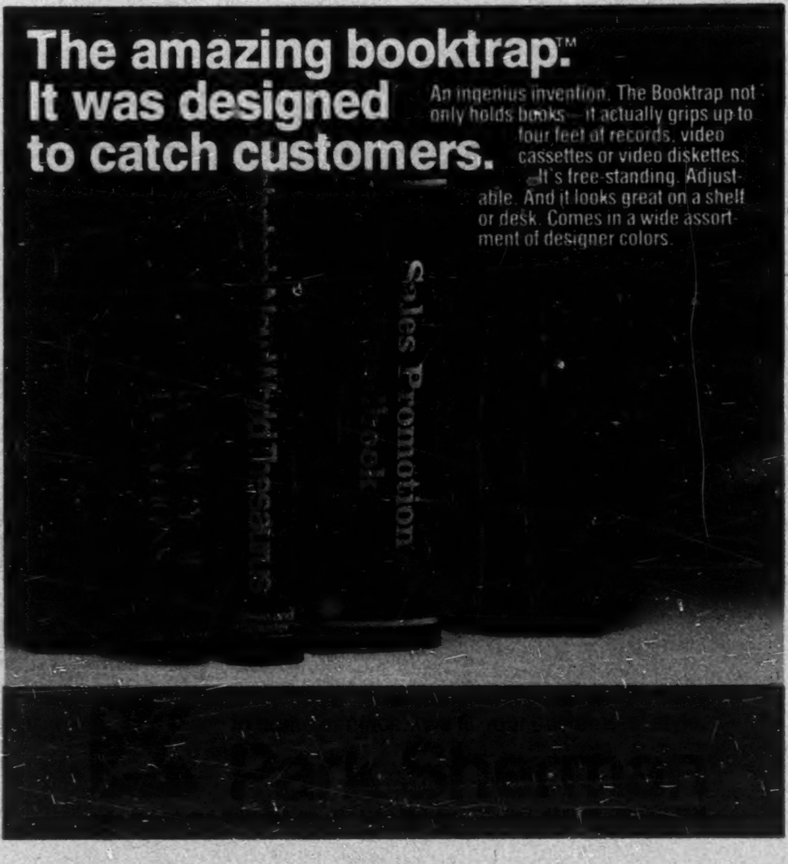
The styling gels and mousses appear to be appealing to a larger market, including both men and women, offering consumers a more subtle alternative to hair styling.

In the past, vendors as well as merchants had to rely on shampoo, setting lotions, hair sprays and permanent hair coloring product sales as the primary money producers for hair treatment.

With the introduction of the mousses, gels and colors, vendors have developed a multimillion dollar cash cow. However, as with most things, vendors are not certain how long this trend will last, but are basing their plans on optimistic projections.

Another strong category in the personal health care field was the introduction of tartar control toothpastes. Procter & Gamble introduced its long awaited tartar control "Crest in the silver tube." Bob Murray, director of corporate communications for Colgate-Palmolive says that "Crest has gained back some of its market share with [the] tartar [product] that it lost to us because of our pump."

As the fierce fighting among toothpaste manufacturers continues, Crest seems to be winning the battle, but Murray was quick to point out that "our ceo has stated that we will be in the tartar business." No date for Colgate's entry has been announced. ☐


The amazing booktrap.™
It was designed to catch customers.

An ingenious invention. The Booktrap not only holds books—it actually grips up to four feet of records, video cassettes or video diskettes. It's free-standing. Adjustable. And it looks great on a shelf or desk. Comes in a wide assortment of designer colors.

SALES: $11.4 BILLION

Autofocus SLR's are fast on their way to becoming an industry standard.

Cameras hot—margins cool

Vendor market share battles are still in full swing, but retailers doubt the departments profitability.

Technological innovation swept the $11.4 billion photo/camera industry last year, but despite all the bells and whistles, retail margins remained near suicidally low. The real action was in market share battles among vendors, while retailers once again questioned the department's profitability. The outlook for 1986—more of the same.

For all the fuss surrounding Minolta's introduction of Maxxum last year, the debut of autofocusing SLRs did not manage to grow the market for single lens reflex cameras. Sales of point and shoot 35mm cameras outpaced SLRs for the second straight year.

Though Maxxum boosted Minolta's SLR sales and brought its market share to within a nose of industry leader Canon, the net effect for retailers—who often promoted the camera at under $300—was only a further erosion in department gross margins.

Autofocus SLRs, however, are fast on their way to becoming an industry standard. In March of this year, Nikon debuted the N2020, its own Maxxum lookalike, and few will be surprised if Canon unveils an autofocus SLR entry before fall.

In the battle among vendors, Polaroid won at least one round earlier this year by driving Kodak out of the instant camera business. However, some industry pundits—including Kodak execs when they speak privately—say that Polaroid performed Kodak a favor.

Instant photography continues to slump. According to *Chain Store Age* MarkeTrends research, the number of consumers who say they expect to buy an instant camera is down nearly 80% over the last two years.

Not daunted by sagging sales for instant cameras, Polaroid has rekindled the market with this year's technologically advanced, upscaled—and pricey—Spectra system. Polaroid will have to work hard to revive flagging customer interest.

In addition, Polaroid will have to fight both consumer and retailer price expectations for instants. According to the *CSA* MarkeTrends poll, 75% of potential instant camera customers say they expect to pay less than $75 for an instant. Almost 40% say they will buy at a discount store, some of which are hesitant to carry a camera which seems to exceed their customer's pocketbook.

Polaroid, however, reports backorders for Spectra. What is not yet clear is whether the backorders are the result of consumer demand or reflect only manufacturing delays.

Technological advance will also hit print film this year, but the changes, in themselves, are once again unlikely to pump up either sales or margins. Kodak's new VR-G color print film, which promises richer color, has just hit stores, but will be met by a Fuji entry.

Color print 35mm film, meanwhile, should grow again this year. Increases will not be the result of changes in film technology, but rather to the growing popularity of 35mm lens shutter cameras. Last year 50% of all snapshots were recorded on 35mm film.

For general merchandise retailers, none of the technological wizardry holds much promise of returning profitable margins to the department. More of the market, especially for film and processing, moved into supermarkets last year. This year the food retailers ought to pick up still more.

General merchandise chains, though, continue to target on-site photo processing as a way out of their low margin dilemma. Still, it is unlikely that the move will significantly alter the department's loss leader image. ☐

Productivity breakdown

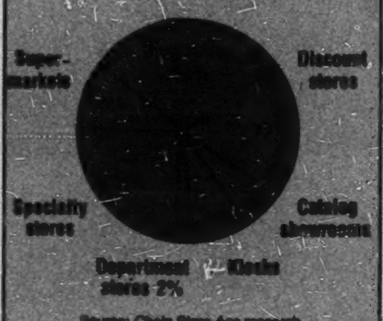
	Dept. stores	Big 3	Mass merch./ variety
[illegible]			
Annual turnover	1.9	3.7	4.1
[illegible]			

Source: *Chain Store Age* research

Growth areas

- Autofocus SLRs
- On-site processing
- 35mm film

Market share by units



Source: *Chain Store Age* research

TOYS

SALES: $12.7 BILLION

The beauty contest is heating up between Mattel's Barbie and Hasbro's JEM.

March of the Toy Soldier retreats

With a rise in sales of 5% and a decrease of 6% in units shipped, Toyland could be preparing for a fall.

Toyland is not a universally happy place to be these days. The Cabbage Patch is beginning to wilt, the game of picking winners is anything but a trivial pursuit, and the marriage of traditional and electronic does not guarantee a world of wonder.

The major problem is that the toy industry last year shipped 6% fewer units to retailers and that meant that the 5% increase in retail sales to $12.7 billion came mostly from higher price pointed merchandise.

An example can be seen in the plush category. Including electronic plush, the category suffered a 28% reduction in units shipped to 90 million pieces, according to NPD Group data supplied to the Toy Manufacturers of America. Nevertheless, the plush category experienced a 7.5% increase in dollar sales, based, in part, on Teddy Ruxpin's success at near $80 a bear.

This year plush again seems to be immune to price point fatigue. Aside from Teddy and his electronic cousins, the plush arena has been successfully invaded by Popples, Wrinkles and more Pound Puppies. In addition, Fisher-Price expects to ship about two million Puffalumps this year, a figure comparable to Mattel's Popples invasion.

Puffalumps are retailing for $19.97 to $22.97, price points higher than normal for plush but ones that have been successfully scaled by Popples. One key to their potential is Fisher-Price's belief that they can appeal to a market broader than infants and toddlers.

The doll category has become less frenzied, though two leaders are being challenged. Cabbage Patch is being attacked by Mattel's My Child. In turn, Mattel's Barbie is in a beauty contest with Hasbro's JEM.

The fast pace of action figures and robotics also have slackened.

With the demand for Trivial Pursuit sharply off, retailers are cautiously optimistic about the viability of other adult games. Most new entries have focused on some aspect of bluffing answers, or, as in the case of Scruples, requiring players to emotionally reveal themselves to other contestants. None, however, has caught the emotional sales surge Trivial Pursuit did.

Emotion, similarly, seems to have gone out of the licensing game. It is becoming increasingly hard for a license to last beyond a year or two, a victim of knockoffs and inadequate strategic marketing. Though licensed goods accounted for approximately 50% of all toy sales last year, their value as a retail favorite diminished. With their invasion of even the highly profitable plush area, licensing reached a stage where too much produced too little.

The overall effect has been that retailers have often missed sales because of low inventory on basics while some of the overinventoried areas have not sold. In several instances manufacturers could not meet inventory demands and sales were lost for hot items.

One area that appears ready to rebound is electronics. Be it Ohio Arts' Etch a Sketch Animator or Sega of America's new system, electronics is poised for at least a modest return to grace.

Overall, there was little variation in the distribution channels of toys. What is interesting to note is that discount stores do 31% of the sales dollar volume from 36% of all units sold, while toy supermarket chains command 19% of the dollar market from just 14% of the units sold. ☐

Productivity breakdown

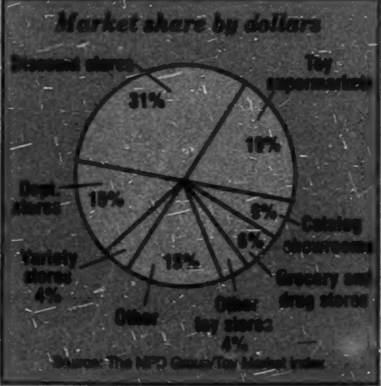
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$133	$99	$116
Annual turnover	2.8	2.9	3.7
Gross margin	33.8%	32.5%	28.1%

Source: *Chain Store Age* research

Growth areas

- Licensed plush
- Electronic games
- Electronic plush

Market share by dollars



Source: The NPD Group/Toy Market Index

CONSUMER ELECTRONICS

SALES: $35 BILLION

Electronics to grow only 5%

With VCRs reaching 40% household penetration, retailers had better start looking for a new cash cow.

The success of the home electronics industry in the last two years has been the story of the video cassette recorder. In 1984 more than half the industry's growth came from the phenomenal success of the VCR, while in 1985 video cassette recorder sales were the lone factor which kept the industry from a downturn.

Though electronics sales at retail in 1986 should top $37 billion, up 5% from $35 billion last year, VCR sales will hold steady this year, creating enormous consequences.

With household penetration already approaching 40%, VCRs are rapidly nearing a short term saturation point. In innovator markets, most notably Los Angeles and New York, video cassette recorder sales are now reported below last year.

Manufacturers, many of whom are facing serious fallout from the strength of the Japanese yen, are confronting the unpleasant task of pushing through price increases in a softer market. They are also facing increased competition from each other.

Summer CES was marked by public sniping between Sony and JVC. For the first time in recent memory, RCA Consumer Electronics exec William E. Boss felt obligated to remind the convention that the electronics industry's true target was the consumer's dollar, and not other manufacturers.

No one is more aware of how tightly the consumer is squeezing his dollar than are retailers. After posting near record electronics sales in 1985, department store sales for home entertainment products are generally down 2%-5% this year.

Superstores, which have been the darling of Wall Street for the last two years, are faring little better. The Federated Group's comparable store results are down this year, and the chain has cut back once ambitious expansion plans to only 15 new units in 1986.

Circuit City's same-store sales are running about 6% ahead of last year's totals, but the figures benefit from the closing of marginally performing Zody's leased departments and New York Lafayette units.

The best bets for growth this year are stereo television, compact disc players, telephone answering devices and blank video tape. But it is unlikely that their growth will significantly outpace shortfalls in other product categories.

Stereo will keep the boom in color television alive. According to *Chain Store Age* MarkeTrends research, 47% of households are now reporting that their next color television will be stereo. The customer's fascination with stereo will push total color television sales up 1% in 1986 to a record $6.8 billion at retail.

Compact disc players will also continue their meteoric rise, with nearly two million units sold at retail in 1986. Rack systems will benefit from the increased action in audio, turning in a $2 billion year. Some of audio's flash, however, will be dimmed by sales drops for both portable audio tape equipment and home radios.

After years of slow growth, telephone answering devices will record their first $500 million year, but telephones themselves will slip about 10% in 1986.

Blank video tape dollar sales will increase about 14% this year, and more in unit sales, but continuing price promotion should keep profit gains only slightly above last year.

As the pace of electronics sales slows in 1986, overall softness could hinder some of the industry's growth categories. More than one vendor has expressed fears that retailers' reduced open-to-buys might be applied across the board. ☐

Compact Digital Audio Disc Player

With 1986 unit sales of nearly 2 million, CD players remain strong performers.

Productivity breakdown

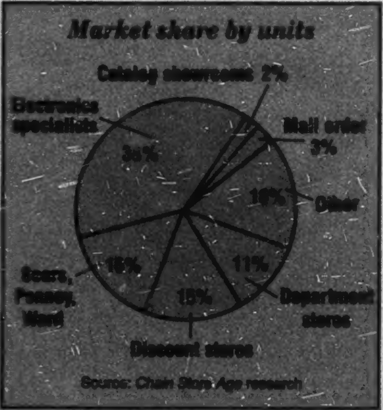
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$282	$465	$341
Annual turnover	3.1	2.7	2.8
Gross margin	16.1%	24.0%	19.9%

Source: *Chain Store Age* research

Growth areas

- Stereo televisions
- Compact disc players
- Blank video tape
- Telephone answering devices

Market share by units



Source: Chain Store Age research

SALES: $7.8 BILLION

Tough times for needle and thread

As the female workforce swells, sewing suppliers are courting students. Crafts battle with passive hobbies.

Sewing dipped 11% last year, continuing a five-year decline. Crafts managed to rise 6%. Arts, craft and model kits accounted for about $3.8 billion in 1985 sales receipts. Fabric, notions, patterns and sewing machine sales were $4 billion.

"Tennis and golf are our competition," says Barry Sussman, owner of two Vogue Fabric stores in the Chicago area. Sussman regards sewing as a leisure activity—not always the one chosen by women after a hard workday.

Margins held steady for department stores and discounters, but sales per square foot declined. The Big 3 have all but departed from both crafts and sewing.

Variety stores were once big guns in these categories, but now they are pulling back. M. H. Lamston Inc., a 31-store variety chain based in New York, carries only "a minimum" of craft items, says vp Marlene Roscoe. She predicts that all of Lamston's needlepoint kits will be gone by fall.

"Our customer is basically the working woman, and she doesn't have time," says Roscoe. Only repair items did well last year for her store: elastic, safety pins and a stick spot-remover.

Roscoe notes, however, that F. W. Woolworth continues to carry broad assortments.

Faced with adult women's declining interest, the sewing industry is trying to woo teens. The American Home Sewing Association recently won an award for its sewing-theme rock video, aired on MTV.

It could be a smart tactic. Nina Pemberton, a buyer for Vogue Fabrics (no connection with the pattern company) notes that the Madonna look was hot in patterns last year. A line by a company called Burda, including patterns for crop tops, short skirts, and slinky dresses, did well.

Serger sewing machines from several manufacturers continued to be popular. Retailing between $300 and $600, their overlock capability promises to sew a dress in 30 minutes.

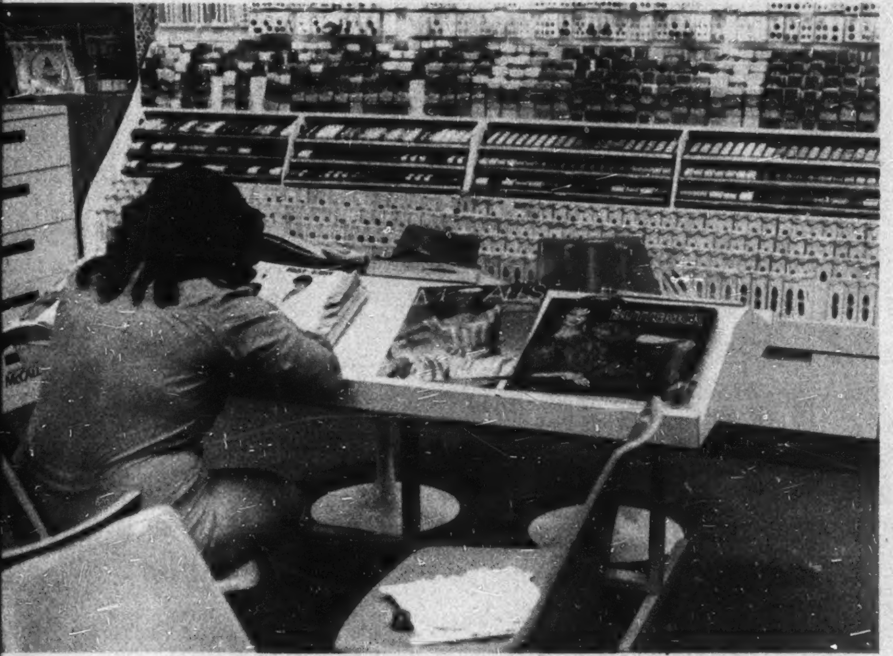
"Prints are far and away the big explosive category," says an exec at a large fabric store chain. He cites rayon challis and Japanese polyesters as best-sellers. Those were also the big stories in ready-to-wear last year.

Crafts showed significant growth in the $1 billion needlework business. But gone is the energy crunch of the 1970's, when everyone attempted an afghan on big needles. Dedicated needleworkers now control the market.

Other crafts, such as tole (a type of decorative painting) grew in 1985. Wal-Mart appears to see possibilities there. Its sole Helen's Arts and Crafts store will soon be joined by others.

Model kits have a tough time competing with assembled toys, except with a hard core of diehard rail and aircraft fans. They are getting older.

Fastest movers for McCall's Pattern Co. in '85 were sportswear patterns, both coordinates and separate bottoms. Simplicity scored hits with a Halloween costume, kids' wear, and junior separates. ☐



As sewing interest declines, manufacturers are trying to woo teens.

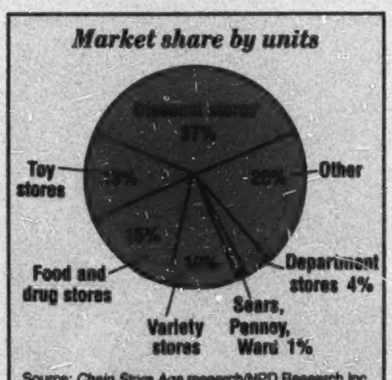
Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
[illegible]	[illegible]	[illegible]	[illegible]
Annual turnover	1.5	N/A	2.5
[illegible]	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age* research

Growth areas

- Rayon and polyester print fabrics
- Needlework supplies
- Sportswear patterns



Source: *Chain Store Age* research/NPD Research Inc.

Sales: $19.5 BILLION

Price promotion and low consumer interest forced the decline of towel sales.

Home textiles lukewarm year

After a slow start, domestics sales warmed up. Accessories and throws were strong performers.

After a sluggish start in 1985, home textiles built up some respectable speed. Sales at retail increased 7% over the previous year, as some once-peripheral products breathed life into the category.

The basics—sheets and towels—continued to be problematic. In sheets, natural fibers and high thread counts prodded sales forward by a mere 2%. Much of the business went to discounters, many of which made strong statements in naturals.

Licensed designs did little for department store sheet sales. "It was not a good year for designers," says one merchandiser.

Towels were plagued by low consumer interest and fierce price promotion. Their sales volume declined slightly. Embellishments could whip up activity this year. "There is emerging growth in embellished towels. It started in '85 and is even stronger in '86," observed James Berutti, dvp at F. & R. Lazarus Co.

Best products for Sears last year were kitchen towels and dish cloths. Table linens also performed well, but ran a distant second to the kitchen textiles.

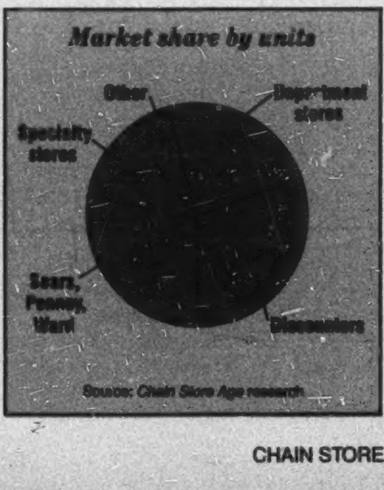
Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
[illegible]			
Annual turnover	1.9	2.3	2.5
[illegible]			

Source: *Chain Store Age* research

Growth areas

- Comforter/ sham/ruffle coordinates
- Throw blankets
- Bath and area rugs
- "Therapeutic" pillows and mattress pads



Source: *Chain Store Age* research

Thermal cotton blankets grew, especially for discount chains and mass merchandisers. All-wools performed well, and their high price points kept them mainly in department stores.

Electric blankets took off, and new thermostatless entrants are expected to draw in a new generation of customers.

But the biggest story in blankets was throws. Abraham & Straus had a good Christmas season with them, and they were the No. 1 home textile product of 1985 for Lazarus. Plaids and animal patterns did especially well, says Berutti, who cites Fairbo and Biederlack as strong brands.

Dhurrie area rugs rang cash register bells last year, particularly in pastels. Bath rugs won more shelf space in many stores, with some department store chains devoting fixtures exclusively to Regal's Juliet shags.

Comforters and sheet coordinates—shams and bed ruffles—brought better results than sheets. That was true for moderate-to-better coordinates at A&S, where vp Yewdell says sheets were "good" but coordinates grew more.

Waterbeds are selling at a fast clip again, and not just to motorcycle riders. Clean-cut customers are buying them and looking for upscale bed linens. Vendors have responded with new products. It could be a growth area this year.

Down comforters did well at price points beginning at $99 at some discount stores, and ranging up to $500-plus. The low-end products were born of new designs that accommodate less fill. Moderately priced Chinese imports were another factor.

Comfort bedding items, such as posture pillows and foam mattress toppers, are an emerging category. Wool mattress pads did well for some department stores. Shaped pillows outstripped regular pillows' growth.

As the mega-mills finally enter the comfort business it should gain momentum. Makers of cloth mattress pads are expected to add filling in order to cash in on consumer interest in sleep aids.

New stitchless techniques are predicted to enhance cloth mattress pads, such as BedSack, which were strong performers in '85. ☐

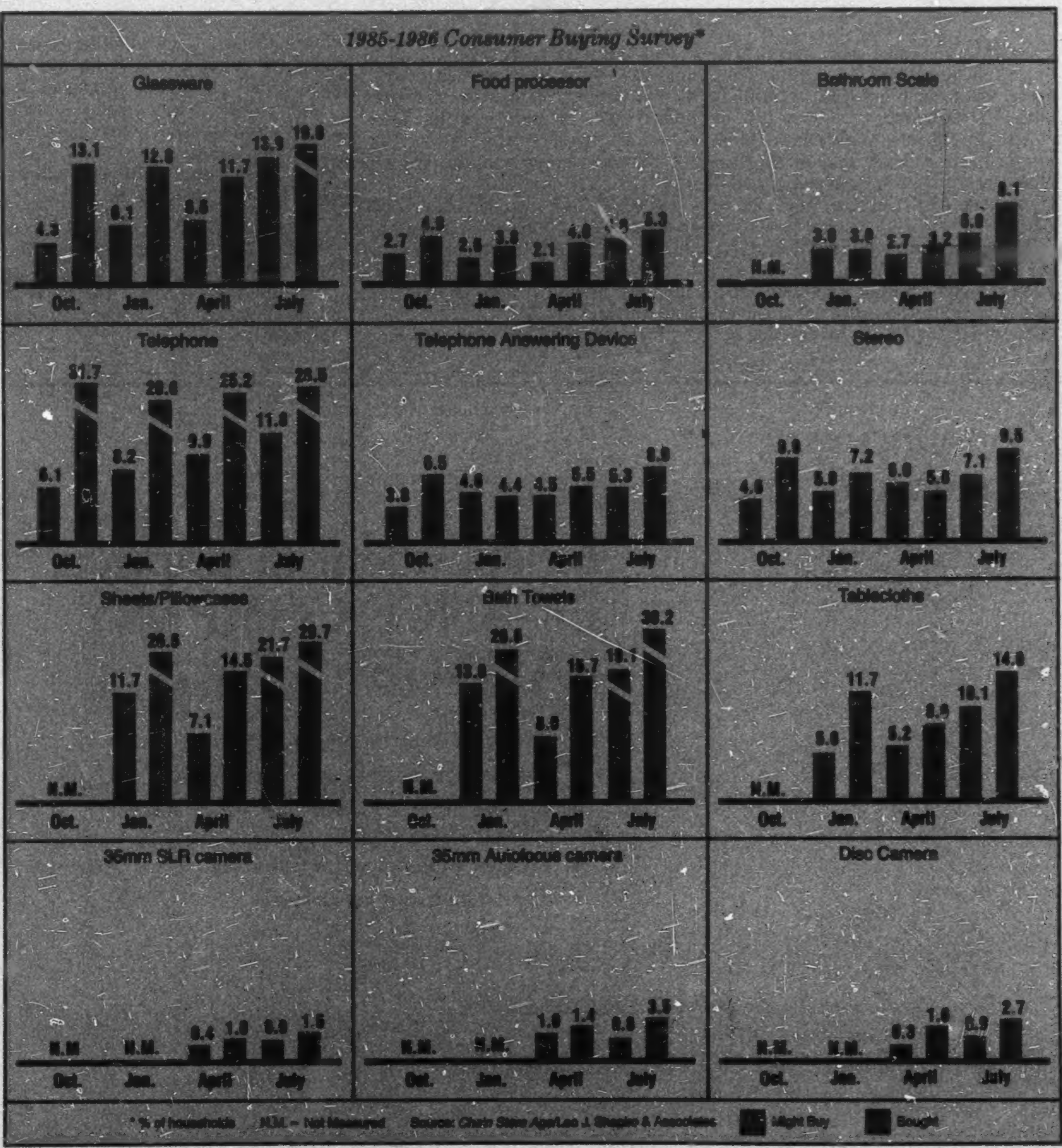
Spending poised for growth

Though retail sales are anything but robust, signs that consumers are beginning to relax their hold on their purse strings abound. *Chain Store Age* MarkeTrends found ample evidence to suggest that the second half of the year may indeed be full of consumer spending.

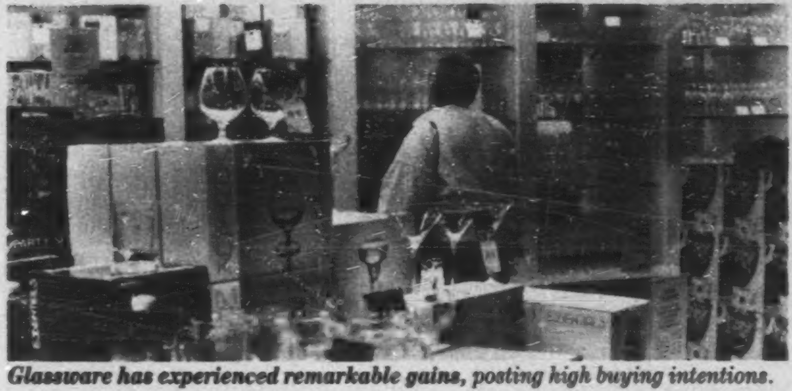
For 11 of 13 categories studied consumer intentions to buy are at their highest level in a year or close to it.

In housewares, glassware and bathroom scales recorded their highest buying intentions, while food processors, at 4.8% of all households polled, dipped from last month's 5.4% high but still came in substantially ahead of the level found in the last year.

Retailers found good sell-through of smaller food processors, Oskar and his knockoffs. The food processor category appears to be circling back to strong sales. Last October, 4.9% of all households polled in the nationally projectable sample said they bought a food processor in the last 12 months. After dipping to 3.8% in January, sales have bounced back to 5.3% of all households reporting in the current survey.


*1985-1986 Consumer Buying Survey**

* % of households N.M. – Not Measured Source: *Chain Store Age/Leo J. Shapiro & Associates*



Glassware has experienced remarkable gains, posting high buying intentions.

Bathroom scales and glassware experienced remarkable gains. The scale business more than doubled since last October.

Though intentions to buy a telephone have steadily inched up the chart, actual purchases have not attained the same level as last October.

Telephone answering devices, meanwhile, continue to surge ahead. A strong 8% of all households said they bought one during the last year, with expectations to buy at 5.3%, the best score ever found in the survey's 19 month history. Moreover, with major vendors poised to offer advanced machines at prices significantly below $100, the market should remain plugged in

Stereos, too, are at their best score in a year. Perhaps boosted by the compact disc player, stereo sales have rebounded soundly from the dip they went through in January and April.

Home textiles are enjoying enormous appeal.

Intentions to buy and actual purchases are at record levels for the seven months of the *CSA* Marke-Trends survey covering home textiles. Particularly noteworthy is the increased purchase expectations for sheets and pillowcases.

Camera sales, too, are clicking. Fifty per cent more households said they bought a 35mm SLR camera in the current survey compared to April. Intentions to buy more than doubled.

The autofocus version of the 35mm camera showed an unexpected falloff in intentions to buy of 20%, but actual purchases increased by 150%. With many new cameras ready to compete with Minolta's original Maxxum, there is little doubt that 35mm autofocus will remain on a growth track.

Even disc cameras picked up from the earlier surveys. Perhaps summer vacations had something to do with that, but overall, the pattern showed consumer spending gaining momentum. ☐

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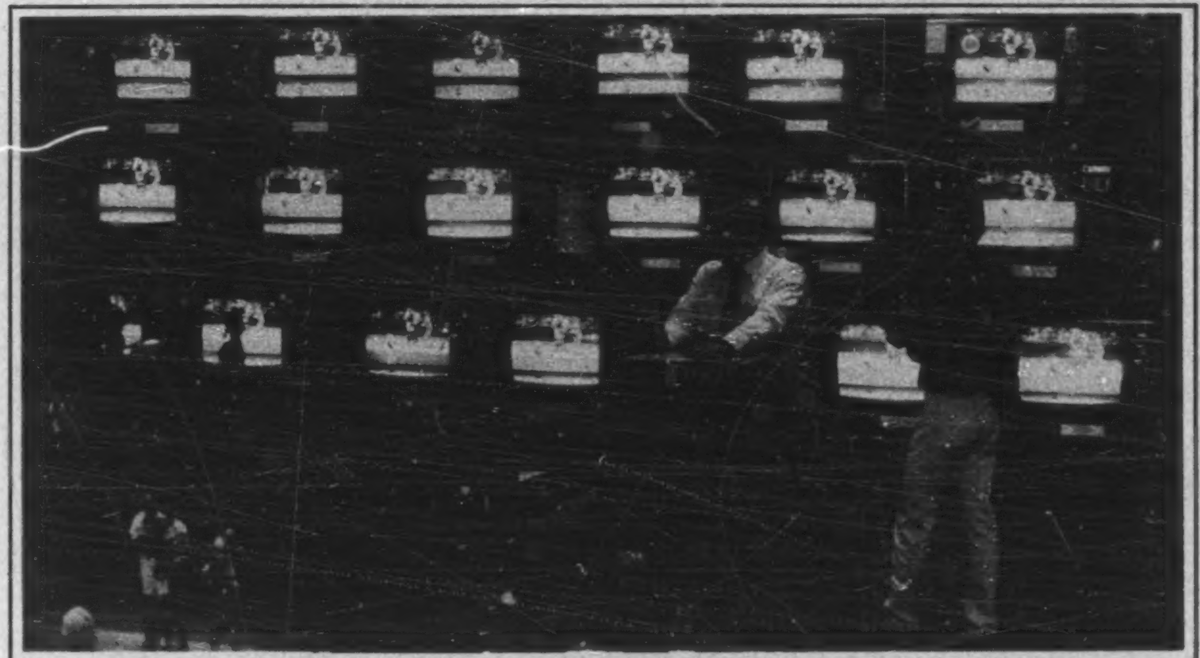
HIGHER MARGINS AND PROFITS AHEAD FOR TELEVISION

Living rooms are evolving into family home entertainment centers, and customers are looking for big, feature-packed televisions. Stereo and consoles are hot.



The advent of stereo is bringing a renaissance to consoles and holds the potential for restoring margins.

It is one of the most astounding success stories in the history of marketing. Only two years after the first stereo television broadcast, 46.6% of households in the latest *Chain Store Age* MarkeTrends survey say that their next color television will be stereo.

The potential impact of stereo television goes far beyond the technical and marketing prowess that brought dual channel TV into being. Customers who plan on buying a stereo television expect to purchase sets with larger screens—more consoles—and expect to pay considerably more.

According to the exclusive *Chain Store Age* study, the advent of stereo is bringing a renaissance to consoles and holds the potential for restoring retail margins above the paltry 19%-20% industry average.

About 2 in 5 customers (38%) in the *CSA* MarkeTrends poll who say they want a stereo television report that they expect to buy a console set. This compares to 29.3% of all color television customers who say they want consoles.

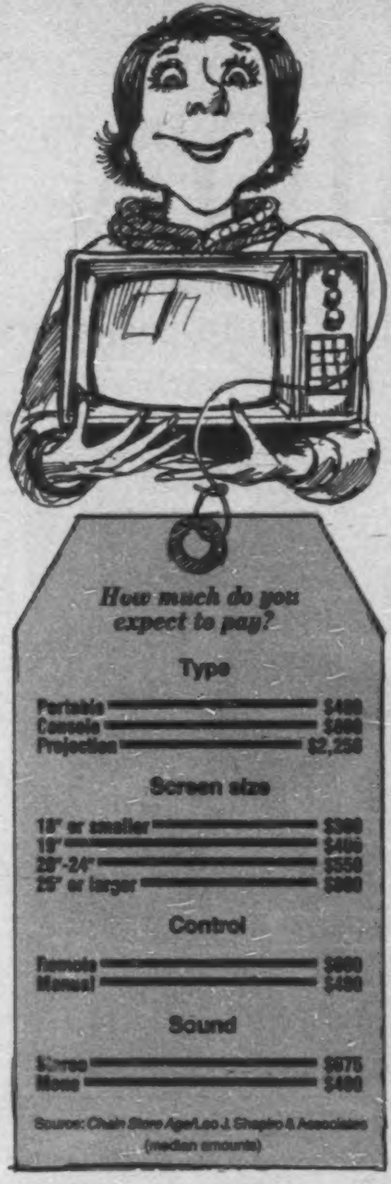
More importantly, those who intend to buy a stereo TV expect to pay a median $675 for their new set, compared to the $400 mono television customers expect to pay (see chart). A surprising 28.5% of stereo television prospects say that they will spend $1,000 or more, while only 4% of mono TV customers think they will spend that much.

Nor is stereo the only feature customers are willing to pay for as they plan on moving up to feature-packed televisions. Households contemplating the purchase of a TV with remote control expect to pay a median $600, compared to the $400 manual control buyers think they will pay.

Screen size, of course, also affects price expectations. For sets with screens 18-in. or smaller, the median price customers say they will pay is $300. For 19 in. TVs the price expectation jumps to $400, further rising to $550 for 20 to 24-in. sets and $800 for 25 in. or larger TVs.

Price expectations also correlate with whether customers plan on buying portables, consoles or projection television. On the average, those in the *CSA* MarkeTrends survey say that they will pay $400 for their next portable, $800 for a console and $2,250 for a projection television.

By far, the study shows that tele-



vision watching is still a family activity and that increasingly families are turning their living rooms into home entertainment centers. Almost half (45%) of all new televisions are destined for the living room, according to the poll. The second most popular room for TV viewing is the family room or den (27.5%), with an additional 18.5% of sets earmarked for the bedroom.

As living rooms evolve into family-mini theaters, so too are the televisions customers expect to buy evolving into big, feature-ladened models.

Fully 97.3% in the *CSA* MarkeTrends poll say that their next television purchase will be a color set. Almost 1 out of 3 in the survey (31.4%) report that their next TV will have a 25-in. screen or larger. Nearly 3 out of 5 say they will be shopping for a set with remote control. An unexpectedly large 7% expect to buy a projection television the next time around.

The study further implies that televisions are leaving the tabletop and are once again becoming pieces of furniture in their own right. With a combined 36.3% of prospective color TV customers now saying that they will buy either console or projection sets, the television industry stands at a crossroads.

As Tandy remarked in its 1985 annual report, "It will be interesting to see if video components integrate into [rack stereo] systems or if there will be a revival of the console business."

Though the vast majority (63.7%) of color televisions customers expect to buy are portables, which are best suited as audio-video components, the *CSA* MarkeTrends survey indicates that the trend is definitely toward consoles and away from a-v systems.

Almost all (97.5%) consoles are destined for either the living room or family room, where a-v systems are most likely to be located. However, 36.4% of portables will go into bedrooms, kitchens, basements and guest rooms, where a-v systems are inappropriate.

In fact, the survey clearly shows that in absolute numbers, the majority (50.5%) of living room or family room TVs in the future will be either consoles or projection models. □

VCRs and TVs: targeting both sales

At first glance, television customers look like a perfect marketing target for VCR sales, too. Yet *Chain Store Age* MarkeTrends polling reveals that only 1 in 20 households which plan to buy a TV in the next year also definitely expect to buy a VCR. Promotions aimed solely to television customers as an undifferentiated group, according to the survey, will be wasted 19 out of 20 times.

However, the *CSA* MarkeTrends survey suggests a number of marketing strategies which can separate the wheat from the chaff. Television screen size emerges as the best way to pinpoint the customer who also definitely plans on buying a video cassette recorder.

Customers who expect to buy TVs with screens measuring between 20- and 24-in. are more than twice as likely to say they also plan to purchase a VCR this year, according to the poll.

In contrast, those who will buy sets with screens smaller than 20-in. are 12% less likely than the sample as a whole to say they want to buy a VCR, too. Customers planning to purchase a TV with 25-in. or larger screens are 44% less likely to also want a video cassette recorder this year.

Though screen size is the most effective way to predict which TV customers will buy a VCR too, the *CSA* MarkeTrends survey targets other tools which can be used to identify the potential double sale.

Customers who are buying an additional household television, as opposed to a replacement, are 51% more likely to want a video cassette recorder in the next year, according to the survey. Those who want remote control on their TV are 29% more likely, and those looking for stereo televisions are 20% better prospects for a VCR sale.

Surprisingly, customers who plan to buy projection televisions are poor prospects for a VCR sale this year, perhaps because they were early owners. According to the *CSA* MarkeTrends survey, projection TV buyers are 44% less likely than the sample whole to say they expect to buy a video cassette recorder in the next 12 months.

Also, cable television subscribers are not as good prospects as might have been predicted. Those households which subscribe to cable are only 16% more likely than the sample as a whole to say they plan on buying a VCR this year.

Video cassette recorder sales will be harder to come by this year. The survey shows that 39.5% in the poll already own one.

SOME SURPRISES SEEM TO BE COOKING IN MICROWAVES

With many extra features available to the potential microwave shopper, reports indicate many consumers know exactly what they are looking for.

Consumers see the microwave as a device for applying quick heat to food.

Convection coils and fashion colors will not entice many consumers to buy a microwave oven. And programming controls are not likely to push many shoppers' buttons.

Those are among the findings of a detailed *Chain Store Age* MarkeTrends study of microwave oven buying intentions.

Among the results:

- Most consumers view the microwave as a device for applying quick heat to food, not as a major piece of cooking equipment. Yet that does not necessarily mean they want "stripped" or downsized models.
- Consumers who now own microwaves have no great expectations for their next oven's uses. Yet most want it to be big and expensive. First-time purchasers will settle for less.

Of the households polled, 44% do not currently own the product. Seven out of 10 of the microwave-less households said they definitely will not buy an oven in the next 12 months. Another 9.6% said they probably will not.

That still leaves almost one-fifth of the nonowners looking forward to a purchase. Demographically, these potential customers resemble actual microwave owners.

Given the similarities, it is probable that shoppers will be converted to purchasers. Meanwhile, current microwave owners represent a "presold" group who may re-enter the market.

Food reheating will be the No. 1 duty for ovens bought by both first-time and repeat purchasers. Nearly 47% of the group planning an initial market entrance named reheating as the principal use.

Reheating scored even more points with the current owners. Nearly 63% place reheating at the top of their next oven's assignment list.

Cooking was a distant runner-up, named as a main use by 36.5% of the novice shoppers and roughly the same portion (38%) of current owners.

By cooking, most consumers mean baking rather than broiling. Nearly 45% of the first-time-around group said they would bake in the microwave "occasionally." Results were almost exactly the same for current owners. Slightly more than 1 out of 5 households in both groups said they would bake "often."

By comparison, only about 29% of the combined respondents plan to broil occasionally, and 18.5% intend to broil often.

Current owners were the most negative about broiling. More than 52% said that if they were to buy another microwave, it would never be used to broil.

The browning feature—touted by vendors in their step-up models—wins a larger following. Slightly more than one-quarter of households planning to purchase a microwave in the coming year intend to brown food often. Nearly half think they will brown occasionally.

But those who now own microwaves are less interested in browning. Nearly 47% said browning would never be done in their oven.

Only microwave/convection duos can do browning, broiling and toasting. Sharp estimates that these upscale models compose only 7% of the industry at present. But the company believes that the high-end will expand.

That seems possible. Novice shoppers are unlikely to realize that the run-of-the-mill microwave cannot broil. Actual owners can be assumed to have more savvy—and some did show some interest in coils. About 18% said they would brown or broil often.

Overall, expectations of the device's use are modest. Thus, the low end of the price spectrum would be expected to draw the most votes. Instead, price expectations vary widely.

A high concentration of potential microwave owners (23%) expect to buy an economy model priced between $200 and $249.99. A scant 3% plan to pay under $200 though downsized $99 models are widely available.

Almost 1 out of 5 novice shoppers expect the cost to fall between $400 and $499, with 16% ready to top $500.

Second-time purchasers are more likely to know prices. But only 16% expect to take home their next oven for under $300.

More than half of the current owners plan to pay more than $400 for their next oven, with 1 out of 4 poised for $500-plus.

Programmability can add heft to pricetags. But the feature interests few current or prospective owners—including those anticipating pricey purchases. Of those expecting a $400-$499 tab, nearly 40% are "not at all" interested in programming.

The disinterest is even more pronounced among households expecting to pay $500 and up.

A desire for size rather than features seems to be propelling second-time shoppers up the scale. Analysts say compact models account for 40% of the $3 billion microwave oven industry. First-timers are likely to continue that trend.

Exactly 45% of the newcomers plan to buy an oven smaller than full-size, with the expectation strongest among the lowest spenders.

Second-timers are keener on full-size. Only 39% want anything smaller. The majority prefer countertop models, but 15% want an under-the-cabinet oven. Even more, 18%, would like a built-in.

Color is not likely to sway choices, except for consumers spending over $500.

The results suggest that downsized, limited-capability microwaves will continue to lure households that plan an initial plunge into the market. Novices expect to spend more than they have to for the compacts. Once in the stores, they will get a quick lesson in prices.

The repeat purchasers will affect the industry more gradually. Their expectations of use are small, yet their willingness to spend seems large. Full-size ovens that offer accuracy in the basic functions are likely to win favor. ☐

From the microwave to the table

Nearly 3 out of 4 microwave-owning households have purchased cookware especially for the microwave, and 45% of them consider their collection incomplete.

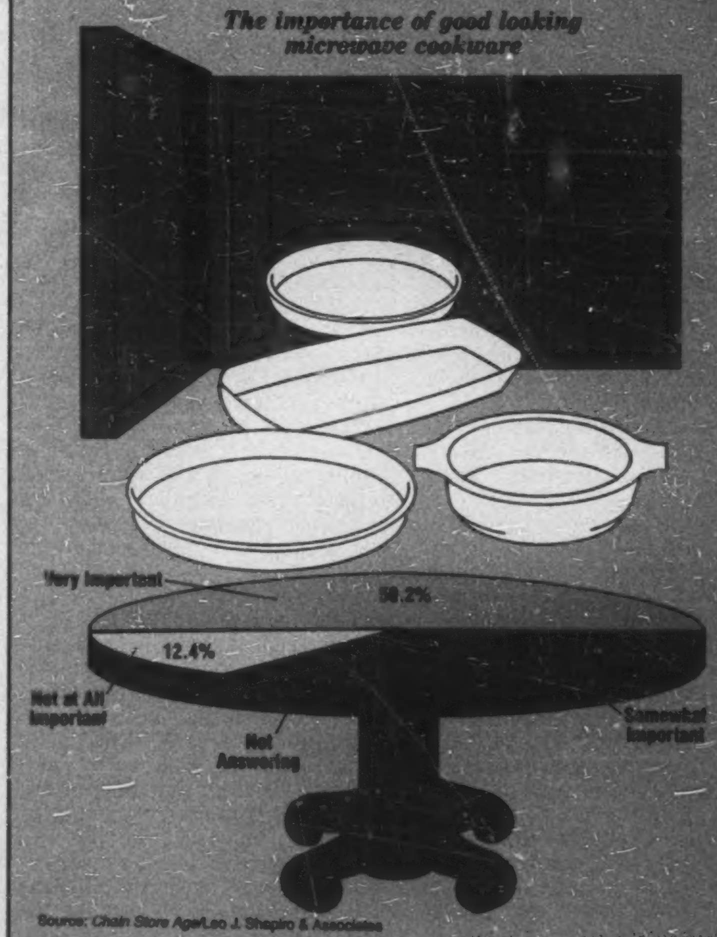
Most consumers who want microwave cookware prefer it to be freezable and stackable. Approximately 60% rate both these features as very important. About 46% have a strong preference for cookware with lids.

Many households want microwave cookware to look good enough to be brought to the table, even when guests are present. Fully half rated this factor as "very important," with the current microwave owners weighing it more heavily than prospective ones.

Reusable cookware was preferred to disposables nearly 9 to 1. Asked about traditional materials that go into both microwave and convection ovens, consumers gave high marks to Corningware. Two out of five households said it would be their material of choice for microwave cookware.

Disposables could become strong, but their market is irresolute. *Chain Store Age* MarkeTrends survey respondents were asked whether they plan to buy disposables in the next 12 months, as microwave cookware supplements.

Only 13% said they "definitely" would, but 29% said, "maybe." Half would "definitely not." Those looking for pricey ovens were most negative. ☐



Source: *Chain Store Age*/Leo J. Shapiro & Associates

FORMAL DINING REQUIRES A CHANGE OF TABLECLOTH

Consumers are eager to set a nice table. Most want an everyday cloth but interest in lace is high. Placemats and oversized napkins also spur buying intentions.

TABLE CLOTHS
TABLE CLOTHS

One out of four households plan a tablecloth purchase in the coming year.

Past *Chain Store Age*/Marke-Trends research has detected growing signs of life in table linens. The pulse is strong. A recent in-depth survey found 1 in 4 households planning a tablecloth purchase in the next 12 months.

Slightly more than half the consumers with buying intentions want a tablecloth for everyday use. Formals are the choice of nearly 38%. About 9% want a cloth that can switch-hit for ordinary or dressy occassions.

Vinyl shows some strength, though it is far outstripped by a preference for cloth. Nearly 19% of the buying-intentions group plan to purchase a vinyl product. That leaves 8 out of 10 households looking for cloth.

Of those shopping for cloth, 42% want a blend of natural and synthetic fibers, while 37% prefer an all-natural fabric. Only about 13% would choose an all-synthetic.

While the majority prefer solid colors, prints made a significant showing. At one time consumers steered clear of patterned tablecloths, fearing they would clash with the plates.

Those days seem to be over. About 1 in 3 households think they will buy a print tablecloth. That level of interest may have been fueled by the trend toward layering solids and prints.

Lace exercises a strong allure, attracting almost all who are in the market for a formal cloth. Of consumers planning a tablecloth purchase in the coming year, 31% want a cloth with lace. That is only 7% shy of the total who are shopping for formals.

Only a slim segment seems receptive to other types of formals, such as damasks and embroidered cloths. But at least one department store merchandiser finds that imported Chinese embroidered cloths outsell lace, mainly because of their low price points. That retailer feels that sales of Chinese imports have peaked. But at his store crocheted and cutwork styles do better than lace.

However, that merchandiser concedes that other chains have scored hits with Quaker Lace. Consumers do seem to want some form of openwork in their formal cloths, since they are intent on buying liners.

More than 2 out of 5 households have bought special-design items for holidays in the past. Those who have not described themselves as resistant. A scant 13% said they might buy a holiday cloth if they saw it.

But with so many consumers reporting past purchases, it seems likely that more will follow suit. It may take an actual holiday shopping season to trigger the action.

Place mats purchases are planned by 23% of the respondents. That portion of consumers said they would buy mats in the next 12 months. And they have very definite ideas of what the items will look like.

Three out of five households with buying intentions plan to buy mats in solid colors, while 35% will shop for prints. A significant number termed this question inapplicable, indicating they may want mirrored or novelty mats.

Quilting led the list of preferred textures, chosen by nearly 1 in 3 potential purchasers. Wovens and vinyls followed closely. Each was the choice of roughly one-quarter of the buying-intentions group.

Straw placemats did poorly, garnering only 9% of the votes. One retailer attributes straw's decline to the questionable quality of low-end imports.

Nearly one-third of the respondents expect to spend between $10 and $14.99 for a set of four placemats, while 1 out of 5 anticipate the $15-$24.99 range.

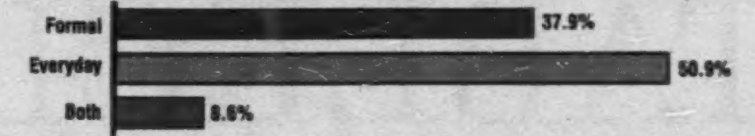
Cloth napkins are on the coming year's shopping list for 18% of the respondents. Not bad for a product that is hardly a necessity. Interest was keenest among households earning $30,000-plus.

Oversized cloth napkins are clearly gaining popularity. While the majority of consumers prefer regular size, 30% intend to buy extra large napkins.

That opens the door for slightly higher price points. On average, consumers shopping for regular-sized napkins expect to pay $13.40 for a set of four. Make that $18.20 for the average oversized set.

Napkin rings and table pads fail to capture the interest of most consumers. For both products, the portion of households planning a purchase hovers around 7%. ☐

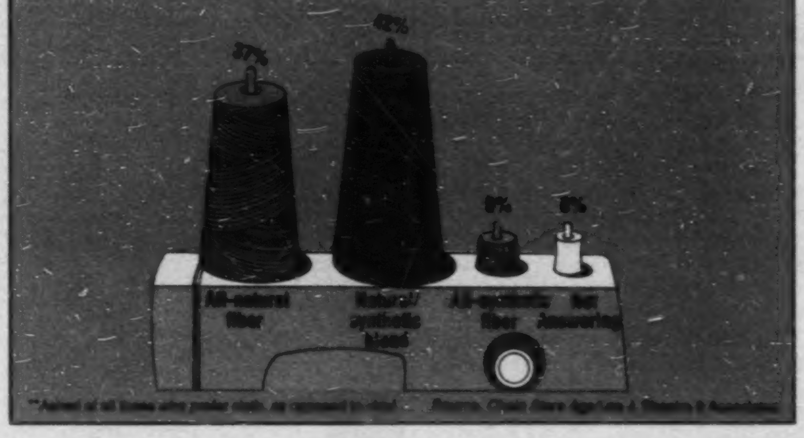
*What kind of tablecloth do you plan to buy?**



*Asked of consumers who intend to buy a tablecloth in the next 12 months

Source: Chain Store Age/Leo J. Shapiro & Associates

*What kind of fabric would you prefer?***



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Source: Chain Store Age/Leo J. Shapiro & Associates

Spring Industries Inc., under the Springmaid brand, introduces its innovative Comfort Sheet. The Comfort Sheet is a luxurious and convenient cross between a percale fitted sheet and a quilted mattress pad. Manufactured in five solid colors, the Comfort Sheet coordinates with Springmaid flat sheets and pillow cases. *(Springs Industries Inc., 104 W. 40th St., New York, N.Y. 10018.)*

Owen introduces new crib coordinates called "Parfait Brite." The top fabric is 50% polyester/50% cotton with a nylon tricot back. The filling is 100% bonded polyester. Available are: printed crib blanket, printed receiving blanket, bumper pad, fitted crib sheet, zip quilt, comforter and blanket quilt. Prices range from $2.85 to $4.95. *(Freitag Manufacturing Company, 112 W. 34th St., New York, N.Y. 10120.)*

Reinbears, Winter Sampler and Little Bears Christmas Village are three new towel patterns designed by GEAR for Springmaid. Each carries a holiday theme, featuring novel GEAR animals in cheerful, primary colors. Offered in bath, hand and washcloth sizes, the designs are printed on 100% cotton terry, and will be displayed in gift sets containing one towel in each size. *(Springs Industries Inc., 104 W. 40 St., New York, N.Y. 10018.)*

The OraCare Corporation has introduced the Baseball Bat Toothbrush, a perfect scale model of a regulation baseball bat. The product will be available in 27 versions representing each team in the major leagues as well as one representing the Louisville Slugger baseball bat. *(OraCare Corporation, 14055 Cedar Road, Cleveland, Ohio 44118.)*

Franzus Company Inc., introduces the addition of Wrinkles Away Steam and Dry Iron with detachable handle. The unit features a removable handle that fits over iron base for easy packing, a nonstick coated sole plate and thermostatically controlled heat settings that work on all fabrics. Suggested retail: $26.95. *(Franzus Company Inc., 352 Park Ave. S., New York, N.Y. 10010.)*

Canon U.S.A. introduced a conveniently sized and affordable desktop G3 facsimile, the FaxPhone 10. No larger than a multifunction telephone, the FaxPhone 10 combines facsimile capability with an auto-dialing telephone, setting a new standard for communications convenience. *(Canon U.S.A Inc., One Canon Plaza, Lake Success, N.Y. 11042.)*

Ambassador Cards is adding new trendy buttons to its sticker displays. Extensive testing has shown that the buttons increase sticker display productivity by attracting new teen shoppers and boosting sales among preteens—the traditional sticker customers. The 24 new trendy buttons will be priced at 98¢ each. *(Ambassador Cards, P.O. Box 580, Kansas City, Mo. 64141.)*

Four popular Disney films—*Moon Pilot, Unidentified Flying Oddball, Lt. Robin Crusoe, U.S.N. and One of Our Dinosaurs Is Missing*—will be available from Walt Disney Home Video in July. Two are fantasy favorites, the third is a modern-day version of literature's most famous castaway, and the fourth is a madcap comedy caper starring two perennial Oscar-winning actors. Suggested retail price: $69.95 each. *(Walt Disney Telecommunications and Non-Theatrical Company, 500 South Buena Vista St., Burbank, Calif. 91521.)*

Cost cutting brings higher earnings

Consumer spending was sluggish in the first quarter, but cost reductions, more balanced inventories and, in some cases, a better mix of sales, combined to boost earnings 24.9% for the 26 retail companies tracked by *Chain Store Age*.

K mart parlayed a 4.6% rise in sales into a 56.6% earnings gain over last year's weak first quarter performance. Selling, general and administrative expenses increased 3.3%, benefiting from a cutback in interest expense and a cost containment program which has reduced the number of hours worked at each store.

Though the giant discounter posted comparable-store sales gaining only 2.6% in the quarter, apparel volume is reported up 6%-7%. K mart credits the success of its Jaclyn Smith apparel line for part of the boost. Also contributing to the discounter's higher margins in this year's quarter was better inventory control, which avoided last year's round of heavy markdowns.

For the nation's largest retailer, the first quarter brought a virtual earnings collapse. Earnings for the U.S. Merchandising Group evaporated, as last year's $22.7 million profit turned into an $8.3 million loss in 1986.

J. C. Penney, however, continued on the upswing, posting a 26% earnings gain. Ailing Montgomery Ward recorded a $2 million profit, compared to a $2 million loss in the same quarter a year ago.

Among the department stores, Carter Hawley Hale reported net earnings for the quarter up 26% on a sales volume increase of only 2%. The Los Angeles-based retailer attributed the growth to a higher proportion of private label apparel sales, tighter inventories and a reduction in expenses as a per cent of sales.

Associated Dry Goods recorded a 41.9% decrease in earnings for the quarter, citing poor performances by both its J. W. Robinson's department store division and its Caldor discount stores.

Excluding income from divested Macy's Midwest assets, R. H. Macy reported a 19.5% quarterly profits gain, rising from $31.9 million in 1985 to $38.1 million this year. Sales for the New York-based retailer increased 5.3% in the quarter, from $954 million last year to $1 billion in 1986.

Toys "R" Us recorded a 15.1% drop in earnings for the first quarter, but characterized the importance of the decline as negligible in its highly seasonal business.

Child World reported a $2.6 million loss in the quarter that it attributed, in part, to a slowdown in sales of Cabbage Patch dolls.

The Gap reported profits of $10.2 million for the first quarter, compared to a $1.1 million loss for the same period a year ago. The company cited strong sales for both Banana Republic and The Gap .

First quarter profits up despite sluggish sales

Chain	1985 (000 omitted)	1986 (000 omitted)	% change
Sears[1]	22,700	(8,300)	N.M.
Penney	50,000	63,000	+ 26.0
Ward	(2,000)	2,000	N.M.
Subtotal	**70,700**	**56,700**	**− 19.8**
K mart	58,500	91,600	+ 56.6
Ames	4,740	5,785	+ 22.0
Jamesway	969	866	− 10.6
Rose's	3,756	6,515	+ 73.5
Wal-Mart	51,690	73,391	+ 42.0
Woolworth	6,000	13,000	+116.7
Zayre	15,192	16,696	+ 9.9
Subtotal	**140,847**	**207,853**	**+ 47.6**
Allied	17,217	20,682	+ 20.1
Associated Dry Goods	9,380	5,446	− 41.9
Carter Hawley Hale	11,565	14,570	+ 26.0
Dayton Hudson	33,451	38,632	+ 15.5
Federated[3]	36,947	47,349	+ 28.2
May Co.	33,500	40,500	+ 20.9
Mercantile	17,596	21,557	+ 22.5
Subtotal	**159,656**	**188,736**	**+ 18.2**
Child World	(1,560)	(2,623)	N.M.
Oshman's	(640)	(1,911)	N.M.
Toys "R" Us	12,179	10,340	− 15.1
Subtotal	**9,979**	**5,806**	**− 41.8**
The Gap[2]	(1,117)	10,224	N.M.
The Limited	21,346	31,402	+ 47.1
Edison Bros.[2]	1,900	4,700	+147.4
Subtotal	**22,129**	**46,326**	**+109.4**
Syms	1,906	1,526	− 19.9
Clothes Time	1,367	1,800	+ 31.7
Ross	(4,312)	(6,297)	N.M.
Subtotal	**(1,039)**	**(2,971)**	**N.M.**
Total	**402,272**	**502,450**	**+ 24.9**

[1] U.S. merchandising only. [2] Continuing operations only.
[3] Excluding unusual items.
N.M. = Not meaningful. ( ) indicates loss
Source: *Chain Store Age* research

Dayton Hudson targets Michigan

Still another major retail company is targeting Michigan for expansion opportunities. Dayton Hudson has announced plans to open as many as 40 Target discount stores in Michigan.

Twenty-five units are on the boards for the next five years, according to the company, with six stores to debut in late 1987. Target's first Michigan outlets will be located in the cities of Dearborn, Detroit, Madison Heights, Taylor, Westland and Shelby Township.

By entering the Michigan market, Target will be challenging K mart on the Troy, Mich.-based discounter's home turf. The Target rollout joins Dayton Hudson's previously announced plans to expand Mervyn's, its promotionally priced soft lines and housewares chain, into the Michigan market.

Federated Department Stores' MainStreet division has also picked Michigan for expansion opportunities.

Falling oil prices fail to pump sales

Despite a cash windfall from both lower gasoline prices and home mortgage refinancings, consumers continue to spend cautiously. The 17 retail companies tracked by *Chain Store Age* reported sales for May up a modest 10.2%. In the first four months of the current fiscal year, volume is ahead 8.8% from 1985.

For the short term, consumers continue to look more willing to reduce their debt levels—or to save—than they are to spend. Real disposable income gained at an annual clip of 5.9% in the first quarter, but real personal consumption expenditures recorded a smaller 4.2% uptick.

Though most industry watchers expect more robust sales in the year's second half, none is predicting a boom. Dayton Hudson chairman/ceo Kenneth A. Macke predicts 7% same-store gains, while Woolworth chairman/ceo John W. Lynn sees a smaller 5% rise.

The nation's biggest retailer, meanwhile, saw little to quibble with in the May sales results. Sears U.S. Merchandising Group volume jumped ahead 3.9% over the same month a year ago. The gain was the giant retailer's best monthly comparison since December 1984, when it posted a 4.7% increase.

Strong sales for apparel and home store merchandise—both weak areas earlier this year—were responsible for the rise, according to Sears. The gains in apparel should be particularly gratifying for the retailer, since it seems to confirm the wisdom of restoring opening price points into its apparel line structure.

Crosstown rival Montgomery Ward also pulled out of the doldrums in May, posting a 10% sales increase. J. C. Penney recorded an 8.1% hike in same-store results and an 8.4% overall increase.

Among the discount stores, Wal-Mart continued to defy the high unemployment figures which plague its biggest markets. The Bentonville, Ark.-based discounter recorded a 17% jump in comparable store results and a 45.6% gain overall.

Not that Wal-Mart was alone, as Stop & Shop division Bradlees turned in an 11% same-store hike for the month. K mart, the nation's second largest retailer, outpaced its year-to-date totals, and recorded a 4.9% sales increase.

Associated Dry Goods' discount division, however, continues to lag behind its department store business. For the month of May, ADG department stores recorded an 8.3% increase, while its discount stores turned in a more modest 6.8% gain. For the now four-month-old fiscal year, ADG department store sales are 7.9% ahead of 1985. Discount division volume is up 4.6%.

Department stores, after sluggish first quarter sales, could find some hope in the May results. Los Angeles-based Carter Hawley Hale reported volume up 5.2% for the month. Mercantile sales gained 7.3%, with a 6.7% hike in same-store results. May Department Stores led the pack, though, recording an 11.3% jump in May and an 11.1% increase for the four months.

For the electronics specialists, however, the month brought only news of continued sluggishness. Richmond, Va.-based superstore operator Circuit City managed to record a 5% same-store gain, but even that was below its three-month 6% comparable store performance.

May sales up 10.2%, but no boom ahead

		May sales*		Stores		4-mo. sales*		
Major chains	**% change**	**1986**	**1985**	**1986**	**1985**	**1986**	**1985**	**% change**
Sears[1,2]	+ 3.9	$1,983,700	$1,909,800	799	797	$7,683,100	$7,624,400	+ 0.8
Penney[2]	+ 8.4	937,000	864,000	1,899	1,992	3,712,000	3,453,000	+ 7.5
Ward[1,3]	+ 0.8	324,300	321,500	292	364	1,175,000	1,202,200	− 2.3
Dayton Hudson	+ 9.0	655,300	601,200	1,214	1,145	2,610,000	2,370,000	+10.2
Federated[4]	+ 3.8	599,400	577,400	486	468	2,438,200	2,330,200	+ 4.6
May Dept. Stores	+11.3	396,200	356,100	2,158	1,926	1,580,400	1,422,400	+11.1
Associated Dry Goods	+ 7.7	354,500	329,200	355	340	1,327,000	1,244,000	+ 6.6
Allied Stores	+ 7.9	337,200	312,600	674	616	1,284,000	1,193,000	+ 7.6
Carter Hawley Hale	+ 5.2	272,800	259,200	299	281	1,140,000	1,100,000	+ 3.6
Mercantile	+ 7.3	144,836	135,031	80	79	575,619	532,769	+ 8.0
K mart[5]	+ 4.9	1,821,500	1,737,000	2,183	2,172	6,829,900	6,555,000	+ 4.2
Wal-Mart	+45.6	952,000	654,000	924	776	3,296,000	2,309,000	+42.7
Zayre	+32.5	373,800	282,200	1,011	883	1,467,000	1,114,400	+31.6
Bradlees	+28.3	136,000	106,000	156	136	507,000	388,000	+30.7
Tandy	+11.9	245,108	219,074	N/A	N/A	994,457	878,669	+13.2
Circuit City	+35.8	66,700	48,900	75	96	219,800	162,600	+35.2
Federated Group	+19.8	30,200	25,200	60	47	117,900	94,100	+25.3
Totals & Averages	+10.2	$9,630,544	$8,738,405	—	—	$36,957,376	$33,973,738	+ 8.8

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only

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Do consumers understand thread count?
Adult games no longer trivial

Chain Store Age

GENERAL MERCHANDISE TRENDS AUGUST 1986

ADG UNDER ATTACK

WILL VENDORS BE THE REAL LOSERS?

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Consumers want to buy, but when?

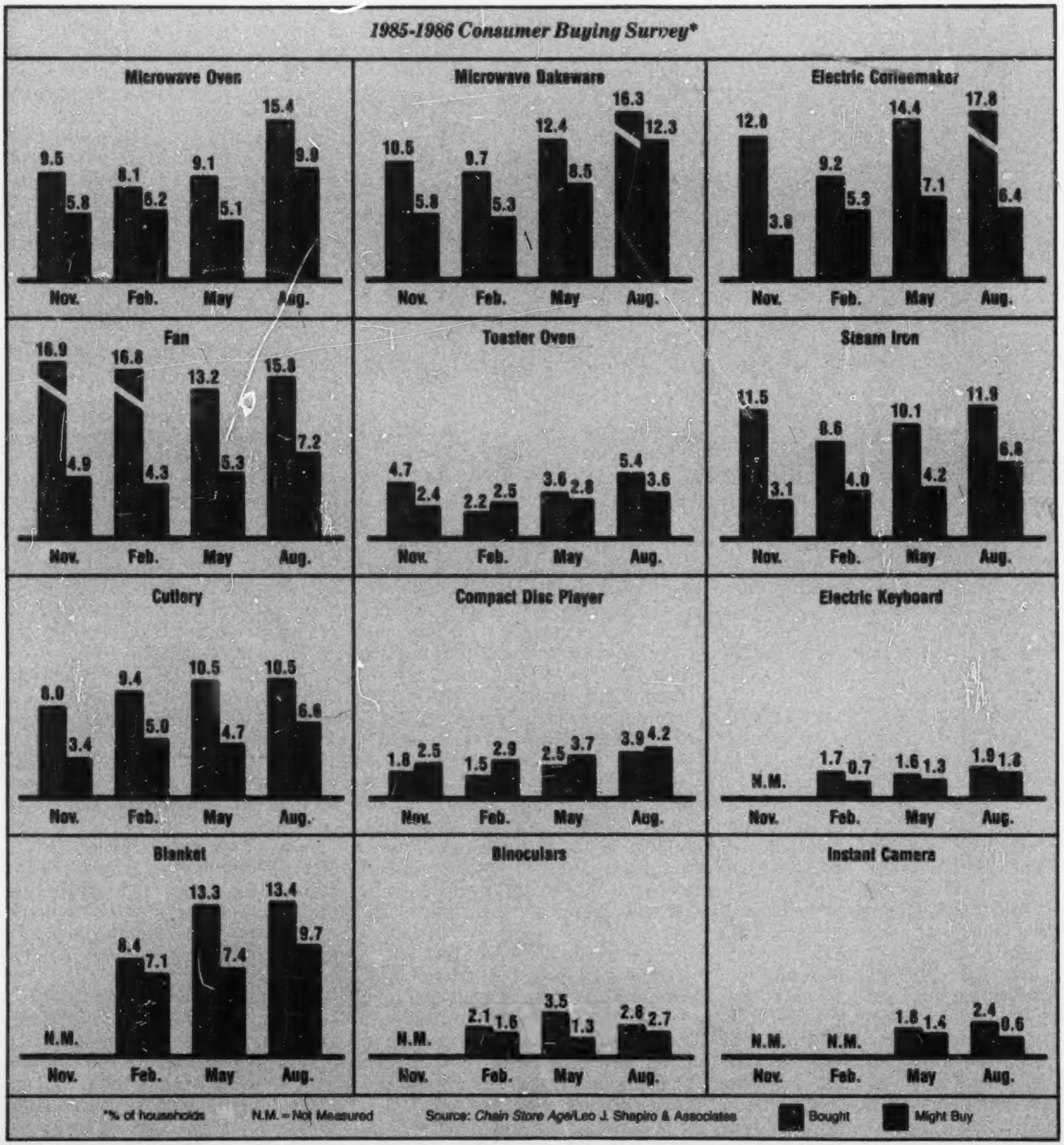
Economists are pulling back their earlier heady predictions for second half growth, citing satisfaction of pent-up consumer demand left over from the last recession. But *Chain Store Age* MarkeTrends research continues to reveal that customers still have a healthy urge to buy. The only question is when.

Real disposable income gains for the year continue to outpace increases in personal consumption spending. For most of 1986, consumers seem to have been more willing to save or to pay off high debt burdens than they have been to spend.

From the healthy shopping list consumers reveal in the latest *CSA* MarkeTrends survey, once debt levels are reduced to more manageable levels, customers look willing to go on yet another shopping spree. It could come in time for Christmas.

Microwave bakeware, according to this month's survey, tops the consumer's shopping list. The number of households which say they intend to buy cookware for the microwave is running 112% over the figure recorded only nine months ago.

Already, retailers are reporting



*1985-1986 Consumer Buying Survey**

*% of households N.M. = Not Measured Source: *Chain Store Age*/Leo J. Shapiro & Associates

SALE
SALE
PYREX
1.79

***Bakeware buying intentions** are 112% over figures recorded nine months ago.*

that popcorn poppers, bacon racks and turntables are best sellers. As customers begin to use their electronic ovens for more particular cooking chores, customers seem to be turning to items designed specifically for the microwave, and away from the basics.

In cookware, where sales have remained stubbornly flat so far this year, the real excitement is yet to come. Du Pont plans to unleash a fourth quarter advertising blitz for its premium SilverStone Supra nonstick finish. Judging from past Du Pont campaigns, though, sales will not take off until early 1987.

And despite industry predictions that microwaves themselves will dip slightly from last year's record sales, the *CSA* MarkeTrends poll shows that a record 9.9% of households surveyed say they expect to buy an electronic oven within the next 12 months. For now, the market seems to be dominated by the low- and high-end, at the expense of the middle. First time microwave buyers are scouring the low-end, while second time buyers are looking for highly featured models.

The dog days of August, meanwhile, are heating up consumer interest in electric fans. But it is more than just the summer heat that is turning up the sales burner. According to the latest survey, customer intent to buy a fan is running 75% ahead of last August's totals.

While summer may seem an unusual time for customers to think about blankets, an all-time high 9.7% of households surveyed in the August poll report that they intend to buy a blanket in the next year. This compares to the chilly 7.1% who said they expected to buy a blanket in the February poll.

Once the weather turns cold, many retail buyers are placing bets that throw blankets will be the next fashion rage. Those who believe in them are predicting that throw blankets will match the afghan and snug-sack rages of years past.

If the summer's vacation will be photographed, according to the *CSA* MarkeTrends survey, it looks like customers are willing to get back home before they see the pictures. Though Polaroid continues to report good sales for its new Spectra line, a paltry 0.6% of households polled report they expect to buy an instant camera this year.

Binoculars, however, are another question. Though Halley's comet limped over the horizon in early spring, consumer interest in buying binoculars is remaining at relatively high levels. The *CSA* MarkeTrends poll seems to confirm the industry's conventional wisdom that each new "binocular event" raises customer buying to a new plateau from which it does not recede.

In fact, the latest poll shows that 2.7% of households surveyed now report they expect to buy binoculars within the next year. This is a 68% increase over the 1.6% recorded in February, just before prime comet viewing.

The biggest gainer in this month's poll, however, is the compact disc player. In the August survey an all-time high 4.2% of households report that they expect to buy a CD player in the next year.

The research results are all the more astounding, considering the continuing shortage of compact discs themselves. And even though prices for discs have not fallen significantly, the CD player buyer still purchases an average 20 discs within his first year of ownership. At the current rate, the fate of black vinyl records and turntables may be sealed far earlier than even the industry had predicted.

The compact disc player's uptick, though, is not creating similar excitement for other audio categories. According to continuing *CSA* MarkeTrends polling, portable audio will continue to slump, despite efforts to add fashion and color to the category.

Also of uncertain future is the electronic keyboard. August results record 1.8% of households reporting they expect to buy a keyboard in the next 12 months. Though the year's highest reading, it does not yet indicate a clear growth path.

Telephone answering devices, however, are on a clear upswing. Discount stores are beginning to take a bigger chunk of the market, but the best customer for a TAD remains upscale, better educated and professional (see related story). ☐

EDUCATED CONSUMER READY FOR TELEPHONE ANSWERERS

Fifteen million households now report that they will buy a TAD someday, with 4.6 million of those saying they expect to buy them within the next 12 months.

Harold Greene is not yet a household word. No one has ever asked him to film an American Express commercial, and probably no one ever will. Yet if one man is responsible for the surge in consumer buying of telephone answering devices over the last two years, it is Harold Greene—the federal judge who sits over the breakup of AT&T.

The hodgepodge of advertising, of answers to questions from puzzled customers, and of plain old trial and error, which followed AT&T's splitup has resulted in a potential customer base now educated about telecommunications as never before in the 100 year history of the telephone. According to an exclusive *Chain Store Age* MarkeTrends survey, it is this new found customer sophistication—and specific product knowledge—that have been the keys to success for telephone answering devices.

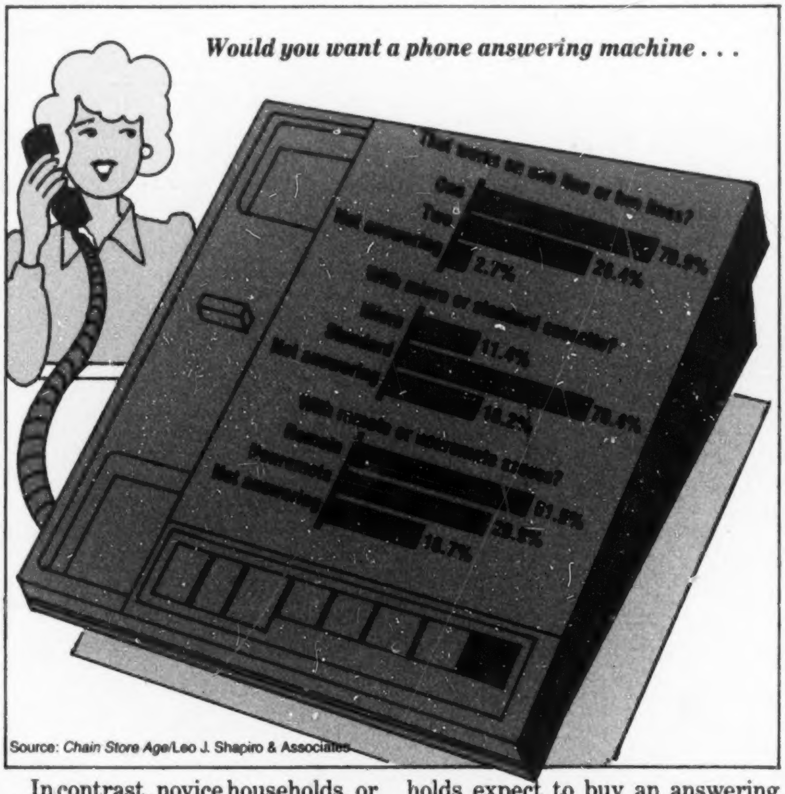
Customers had been slow to get the message about TADs. Though the category scored moderate success for nearly 15 years, sales only took off in 1983, when the industry sold an estimated 2.2 million units. This year, almost double that number—4.1 million units—will sell industrywide. According to the latest *CSA* MarkeTrends reading, 15 million households now report that they will buy a TAD someday, with 4.6 million of those saying they expect to buy within the next 12 months.

The best customer for telephone answerers, according to the survey, is the one who is the most expert about telephones themselves. Expert households, defined as those who already have three or more telephones, account for only 36% of the study sample, but represent 52% of those who say they will buy a TAD.

In contrast, novice households, or those with only one phone, account for 29% of the sample, but only 18% of those who say they will buy a phone answerer. Informed households (the 35% of the sample with two phones) account for 30% of TAD customers.

Across the board, the expert customer is younger, wealthier, better educated and more likely to hold down a professional job than are either the novice customer or the informed customer. He (and the customer is more likely to be male) also expects more features on a TAD, and is willing to pay more for those features.

Would you want a phone answering machine . . .



Source: *Chain Store Age*/Leo J. Shapiro & Associates

While none of the novice households expect to buy an answering device which uses a microcassette instead of a standard cassette, 21% of expert households say they want the smaller cassettes. Novice households are split evenly as to whether or not they want remote access, while 63% of expert households report they want some way to retrieve their messages remotely.

Half of the expert households say they are interested in buying a combination telephone and answering device, compared to only 38% of the novice sample. Both groups, however, agree that adding a telephone onto an answering device should add about $50 onto the price of the unit.

High-end market emerging for phones

"Everybody knows what a phone is and what it does," says Colonial Data Technologies marketing vp Tom Bristovish. But, just as with telephone answering devices, the *CSA* MarkeTrends survey reveals that there are distinctly different telephone customers.

Novice buyers, or those with only one phone currently in their homes, are most likely to say that they want to buy stripped-down, inexpensive telephones. According to the survey, about 1 in 4 of novice customers expects to spend less than $30. Only 6.6% report they will pay $100 or more.

Expert customers, or those who already have three or more phones in their homes, want more feature-packed telephones and are willing to pay for them. In the survey, 16.8% report that they expect to pay $100 or more, while only 9.7% say they will spend less than $30.

"We knew all along that the consumer was getting ready for a more sophisticated phone," says Bristovish, whose company markets a highly featured telephone which sells for $149 through catalogers such as The Sharper Image and DAK. Bristovish says that his customers report using the product's speakerphone and last number redial features with the most frequency.

How much would you spend for a telephone?

	Number of phones already in home		
	One	Two	Three or more
Less than $20	6.6%	3.2%	2.0%
$20-$29.99	16.6	9.1	7.7
$30-$39.99	14.6	13.7	10.9
$40-$49.99	10.2	11.7	15.1
$50-$59.99	11.0	17.6	24.4
$60-$99.99	8.4	16.1	13.4
$100-$119.99	5.2	10.6	10.7
$120 and over	1.4	2.1	5.1
Not answering	26.0	15.8	10.6

Source: *Chain Store Age*/Leo J. Shapiro & Associates

According to the *CSA* MarkeTrends sample, 32.1% of households say that they want automatic redial on their next telephone. But once again, the results differ by the customer's level of sophistication about phones. Only 16.1% of novice buyers expect to buy auto-redial, while 44.8% of the group which already owns three or more phones say that they want the feature.

And expert households are willing to pay more for auto-redial. On the average, expert customers say they would pay a median $20 for automatic redialing. Novice buyers report they would pay only $15 for the feature.

According to the poll, 36% of households have three or more telephones in their homes. An additional 35% report having two phones, and 29% say they have only one telephone.

Not surprisingly, those who expect to buy more highly featured machines generally expect to pay more for them. Half of all expert households say they will spend over $125 for an answering device. Half of novice households, in contrast, say they will pay under $100, while half of informed customers expect to spend between $90 and $150.

With an average household income of $37,000 the expert customer can well afford the answerer he wants. Novice customers, on the other hand, report an average household income of just $21,200, while informed customers bring in an average $26,600 annually.

Expert households are younger, too. About half of expert customers are under 40 years old, while the average age for novice households approaches 50. The average age of respondents in informed households is 45.

Almost 2 out of 5 expert household respondents have either completed college or have some sort of post graduate education. Only 18% of novice households and 24% of the informed sample group report having completed college training.

Though the bulk of the market is still at the top of the line, probably the fastest growing segment of the TAD market is for devices priced at under $100. According to the *CSA* MarkeTrends poll, customers who expect to pay under $100 are looking to buy basic, stripped down products.

By a 9 to 1 ratio, they want standard cassettes, as opposed to microcassettes. By a 4 to 1 vote, they say their answerer need only answer one telephone line. However, they are evenly split as to whether or not the under $100 telephone answering device should have some sort of remote accessing for messages. ☐

TAD'S message needs clarification

A focus group reveals that many customers are uncertain of the technical jargon used by the industry.

If the members of one Code-A-Phone focus group are representative, potential telephone answering device customers understand the major benefits of a TAD, but think the machines are overpriced. They also reveal themselves as confused about many of the marketing and advertising terms the industry takes for granted.

When the focus group, one of several Code-A-Phone conducted in the San Francisco area during late April, is asked what features a telephone answering device should have, its members tick off a pretty standard list of what's on the market. Answering and screening calls is at the top of their list.

In addition, the group says the machine should record any length message, have automatic shutoff at the end of the caller's message, record at least 10 to 15 messages, and have some sort of remote message playback.

Yet when the group is asked to define the very terms the industry

NOSTALGIA RULES WHEN CONSUMERS SELECT COOKWARE

Consumers want the pots and pans that Mom used to have, but they also love nonstick. Stainless steel and cast iron win favor, but may fade in the Du Pont ad blitz.

Nostalgia rules when consumers select rangetop cookware. That is among the findings of a recent *Chain Store Age* MarkeTrends survey that took a close look at rangeware, ovenware and bakeware.

Reasons such as, "It's all I ever use," "I already have it," and "I like it" drive top-of-stove choices most often. Heating efficiency and appearance are relatively unimportant.

Vendors have tried to jazz up stovetop utensils with fancy knobs and handles. They have sandwiched metals together and touted even-heating features. But fashion does not stick to pots and pans, and feature-packed cookware has to tangle with price resistance.

Long replacement cycles, plus what one vendor calls "a change in household formation" produced an 8% decline in cookware retail sales last year. Industry figures for the first quarter of 1986 show the downtrend continuing in both units and dollars.

Du Pont will be introducing a new premium nonstick finish, SilverStone Supra, this month. The launch will be heralded by heavy TV and print ads, and Du Pont promises that Supra will heat up cookware.

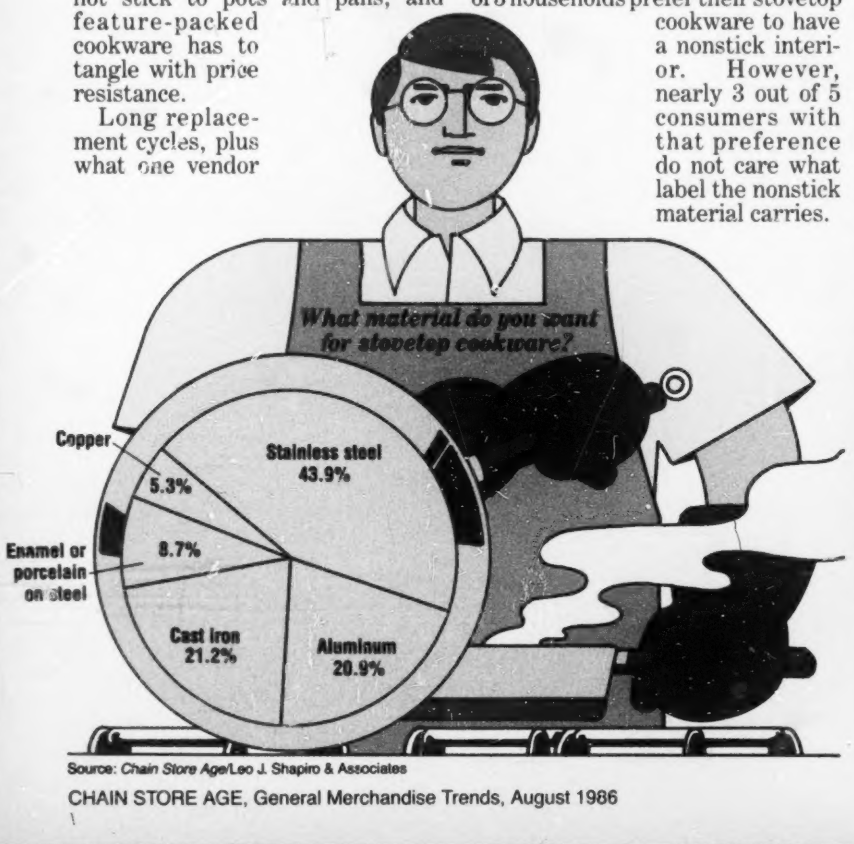
But MarkeTrends research raises some doubts about that. Even the established SilverStone name—recently bolstered by an ad campaign intended to lay the groundwork for Supra—does not dazzle most consumers. The survey found that 2 out of 3 households prefer their stovetop cookware to have a nonstick interior. However, nearly 3 out of 5 consumers with that preference do not care what label the nonstick material carries.

To the minority seeking a particular nonstick brand, SilverStone indeed proved most appealing, pulling 55% of the balloting. Also receiving a smattering of votes was Wear-Ever, which features the SilverStone name prominently on its cookware packaging.

Teflon got one-third the number of mentions received by SilverStone, despite the fact that it is no longer made. Confusion like that has led some retailers to question the impact of Supra. "I don't see it as a panacea," says one department store dmm, who thinks the premium Du Pont finish may catch on—but slowly.

If Supra eventually wins consumer acceptance, it could upset the growing interest in stainless steel detected by MarkeTrends. In the list of materials preferred for stovetop cooking, stainless steel ranked first, chosen by 44% of those polled. Aluminum was the preference of far fewer households: 20.9%.

"A lot of people who prefer stainless have a few pieces of stainless and a lot of aluminum," comments Ken Duncan, vp marketing of Re-



Source: *Chain Store Age*/Leo J. Shapiro & Associates

SilverStone wins slight majority

Do you prefer stovetop cookware with or without a nonstick finish?	
With	66.8%
Without	31.8
Do you care what brand or type of nonstick material it is?*	
No	39.4%
Yes	23.2
Not Answering	4.2
Which brand or type of nonstick material do you prefer?*	
SilverStone/DuPont	55.4%
Teflon	20.2
Wear-Ever	2.4
Other	22.0

*Asked of those who prefer nonstick
Source: *Chain Store Age*/Leo J. Shapiro & Associates

vere Ware. According to industry figures, aluminum's marketshare exceeds that controlled by stainless steel, as it has for some years. However, the gap is narrowing.

Duncan has compiled statistics showing that stainless steel's share of market bounced from a low of 29.9% in 1980-81 to a high of 44.6% for the 12 months ended March 1986. Duncan attributes the comeback to cheaper foreign imports. Another factor, he says, is that SilverStone has become "old and established," diminishing interest in aluminum.

The Revere Ware exec observes that, historically, when Du Pont introduces a new nonstick finish, aluminum tends to gain marketshare. Once the product is entrenched, Du Pont eases up on promotion, and aluminum's share recedes.

Du Pont is currently preparing to unleash a Supra ad blitz in the fourth quarter of this year. Duncan expects some lag before it affects the aluminum/stainless balance.

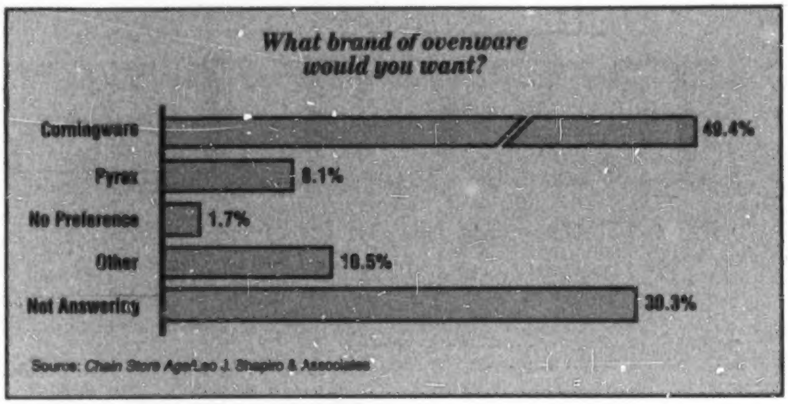
But even now, while SilverStone is old hat, Duncan is surprised that MarkeTrends found so many households preferring stainless. Startling him even more was the discovery that cast iron cookware has a loyal following. Unit shipments of this material are so small that the industry counts cast iron as part of an "all other" category. Yet 1 out of 5 households named it as their material of choice, tying it with aluminum.

Prone to hot spots and rust, cast iron is considered a dinosaur. Even consumers who prefer it are not likely to characterize their choice as "easier to clean or care for"—the factor most often cited by stainless steel proponents.

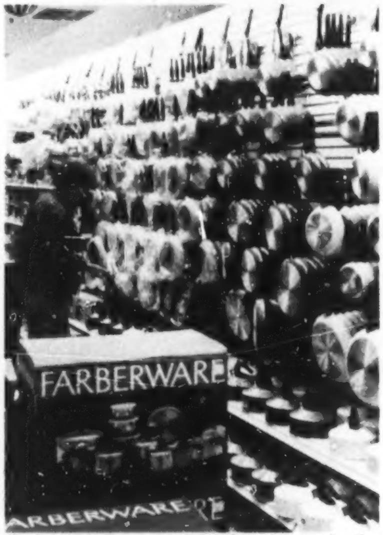
Instead, cast iron partisans explained their preference as "more durable," "cooks better," and "heats evenly." Another powerful reason was the nostalgia edge ("it's all I ever use"), mentioned by 22%.

Regionalism played a minor role in the cast iron choice, with nearly 20% of the votes coming from the south central part of the U.S. By comparison, aluminum and stainless steel each earned about 12% of their total tallies from that region.

A dmm for a department store chain with branches in the Deep South does not see a cast iron surge, however. "The only thing that sells is the frypan, and that's been around forever," he says. A Cajun-Creole cooking trend has been connected with a cast iron revival, but this retailer is skeptical.



Source: *Chain Store Age*/Leo J. Shapiro & Associates



***Industry figures say aluminum** is the leader, but consumers prefer stainless.*

But Shannon Zwaan, dmm at Dillards Department Stores, plans to go into cast iron "in a big way" this fall. The cookware sells well, particularly in Dillards' Louisiana stores. Zwaan thinks it meshes well with the "country" trend.

Also among the materials preferred for rangetop use were enamel or procelain on steel, reaping 9% of the mentions, and copper with 6%. Corningware and glass got a few citations each.

Consumers are unlikely to care whether their pots and pans are microwaveable. Fifty-nine per cent describe the feature as completely unimportant. However, the small number of consumers preferring Corningware and glass for rangetop use (for which Corningware is not really intended) take a different attitude. Compared with the 11% of all respondents rating microwaveability as very important, 30% of this group do.

Corning also scored a victory inside the oven. The majority of consumers (52%) consider Corningware their favorite ovenware, while clear glass garnered one-quarter of the mentions. Metal ovenware was the choice of 17%, with ceramic, clay and other materials sharing the rest of the responses.

Slightly more than one-third want their ovenware to look good enough to be brought to the table.

Asked about ovenware brand names, Corningware again was the favorite (49%), while Corning's Pyrex scored 8%. Other ovenware brand mentions were scattered over a broad field of names, including Wear-Ever, SilverStone, Farberware, Revere Ware, Anchor Hocking and Club. Except for the Corning products, no brand attained even 2%.

The sample polled included some dedicated bakers who have firm opinions about bakeware. Asked if they ever bake, 64% said yes. Those who bake were mostly likely to do it once a month (24%) or once a week (21%).

Consumers are fairly evenly split on the question of whether they would pay more to get a nonstick surface on bakeware. Fifty-nine per cent of those who bake are willing to spend more, narrowly edging out those who are not. Most set the limit at 29% over regular price.

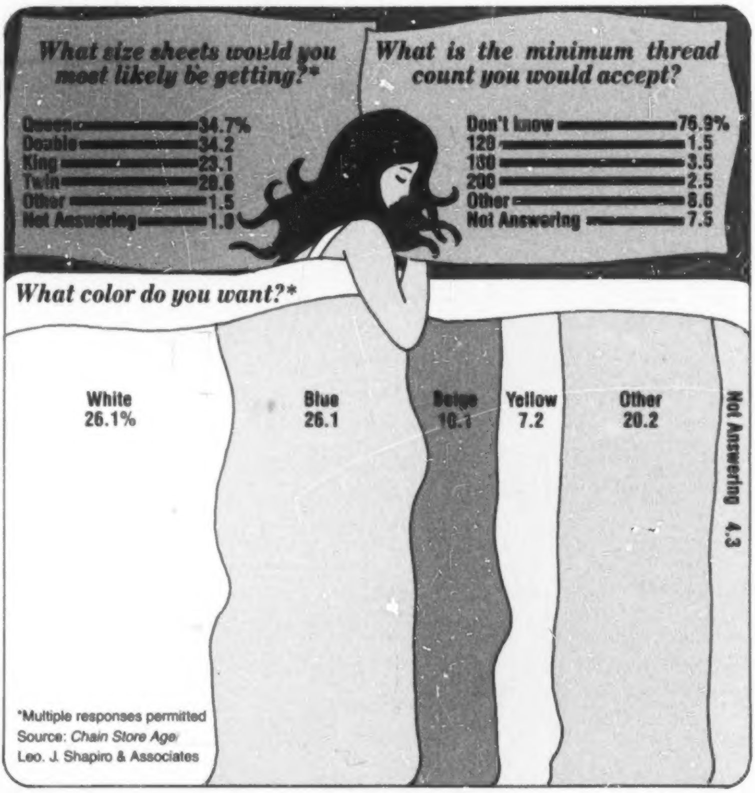
Although Corningware is not meant for cakes and cookies, it was the bakeware brand of preference for 22%. Ekco and its Baker's Secret imprint together scored nearly 15%. Club was the favorite of 2.2% while a host of other brands got mentions falling short of 2%. ☐

COMMUNICATION COULD HELP MOVE

BED LINENS

Shoppers are befuddled about thread count. With intention to buy sheets and cases high, retailers could prompt trade-ups through consumer education.

When it comes to sheets and pillowcases, retailers and mills have plenty of explaining to do. recent *Chain Store Age*/MarkeTrends survey found that consumers are acutely interested in buying bedding. However, they are unclear about an important selling point: thread count.



*Multiple responses permitted
Source: *Chain Store Age*/ Leo. J. Shapiro & Associates

Another area of confusion concerns no-iron 100% cotton sheets. A majority of survey respondents did not know whether no-iron cottons were available. But three out of five households said they would prefer them over other fabrics if such a thing existed.

High interest like that is good news for the stores and vendors that have been offering no-iron cottons for quite some time now. The bad news is that so many consumers think they are something out of science fiction.

Communication—in the form of ads, packaging and signing—could help retrieve missed opportunities. Abraham & Straus, for example, devotes a freestanding sign in its domestics department to a full explanation of thread count. That is a wise move, since terms like "percale," "Type 180," and "Type 200" are supposed to prompt consumer trade up. Instead, they may be puzzling.

Now would be a good time to launch an educational effort. MarkeTrends results indicate that the market for bed linens is hot. Nearly one out of three households plans a purchase of sheets or cases in the next 12 months. Of those who do not, 56% did not buy bed linens in the past year either. As their old sheets become tiresome or worn, they may end up shopping after all.

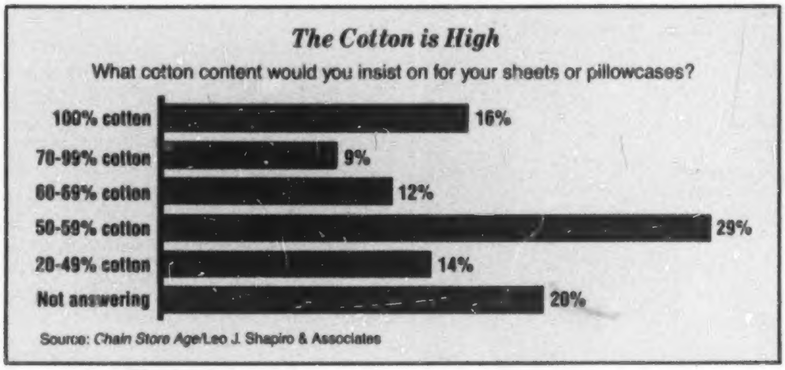
Prints have more appeal than solids, almost two to one. Asked what fabric they prefer, 58% of the households with buying intentions said they wanted a cotton/synthetic blend. However, 100% cotton also made a strong showing, chosen by 38%.

The question about fabric was asked again, with consumers given the traditional choice of no-iron all-cotton (55% said they did not know whether these were actually available). This time, the answers were different. Nearly 60% said they would choose 100% cotton no-irons over all other options.

The stiff "hand" and questionable endurance of no-iron finishes have gotten some bad raps from consumers and retailers. Those problems may need to be addressed, but the first step would be heightening awareness of the goods' availability.

Even consumers shopping for a blend want high cotton content. When questioned about the minimum percentage of cotton they would accept, consumers most frequently answered within the range of 50% to 69% cotton.

Some mass merchants persist in offering 80% polyester 120-count sheets and cases. Yet the survey found that interest in cotton content below 21% is zero. However, one-



The Cotton is High

What cotton content would you insist on for your sheets or pillowcases?

Source: *Chain Store Age*/Leo J. Shapiro & Associates

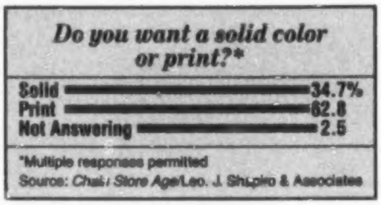
fifth of respondents declined to specify a percentage. That irresolute market segment could be swayed by price.

Few consumers were willing to venture specific answers about preferred thread count. More than three out of four said they didn't know the minimal thread count they would accept. Those who gave answers appeared to be guessing, hazarding responses such as 50 and 128. Only 3.5% named 180-count—the important base line that permits a sheet to call itself percale—and a mere 2.5% cited 200-count, the magic number that should signify top of the line.

Flannel sheets registered significant buying intention, with 17% of the prospective shoppers reporting an interest in flannel. The majority (59%) plan to look for flannels in a solid color, and relatively few (15%) want it to be white. Blue drew the largest number of solid-color votes.

Print flannels also made a strong showing. About two out of five households said they would choose them over solids.

Add-on sales of comforters, shams, and dust ruffles, have helped relieve price-promotional pressures in many domestics departments. MarkeTrends found a high level of interest in bedroom coordinates. Nearly 41% of consumers want their sheets and cases to go with other home furnishings. As expected, comforters were frequently mentioned as coordinate items that consumers intend to buy. More surprisingly, curtains drew almost as many responses. Bedspreads came in third.



*Do you want a solid color or print?**

*Multiple responses permitted

Source: *Chain Store Age*/Leo. J. Shapiro & Associates

As in previous MarkeTrends surveys, Cannon is again the brand of preference, chosen by one out of five potential shoppers. Wamsutta was a distant second, with 5.5% of the mentions. The Sears name was given as the preferred brand by 4%.

Other votes were thinly spread among a wide variety of mill labels, as well as the Penney's and K mart names.

Few (15%) households are interested in designer names on sheets and cases.

About one-third of the households with buying intentions are in the market for juvenile bedding. Nearly 19% prefer children's bedding with a pattern showing a licensed character. Care Bears shambled out first in the list of preferred licenses (19%), followed by Strawberry Shortcake (14%). Sesame Street and Disney tied for fourth place. ☐

Waterbed owners are more affluent now. But when it comes to sheets, not every retailer is sure that taste levels and price sensitivity have changed.

Can waterbed sheets swim upmarket

Time was, a waterbed owner could only get sheets at a specialty store. The place was likely to be named Cusp of Aquarius, and it probably carried cigarette papers up front, beds and linens in the back.

Sheets tended to be heavy on polyester and sunrise scenes, but the customer did not mind. They were perfect for lying on beneath a black light while a Grateful Dead tune wafted from the stereo.

"That is ancient history," says Chris Burkhardt, president of the National Waterbed Retailers Association. Waterbeds are now a mainstream item, he says, and the specialty retailers have also changed.

"At trade shows there used to be a rule that you had to wear shoes to get in," Burkhardt recalls. Now long hair and bare feet are hardly ever seen.

If they had wanted to, representatives from Springs, J. P. Stevens and Fieldcrest Cannon could have laced on their shoes and attended the most recent Waterbed trade show. All three megamills have joined the Waterbed Manufacturers Association in the past few years.

They are eying a new frontier. Having grown steadily since 1980, the waterbed industry reached $2 billion at wholesale last year. Sheets and related products accounted for 16%.

Growth came with the entry of the soft-sided or "hybrid" flotation mattress. Resembling conventional bedding, it attracted the interest of furniture stores. With it came a new kind of customer. A recent survey by American Marketing Services Inc. profiles the average waterbed owner as a manager or professional, 32.4 years old, with a household income of $33,900.

The talk now is that the late-model customer wants a classier sheet.

Christmas profit crisis brewing?

Sales for the 17 retail companies tracked by *Chain Store Age* were up 9.8% in June—exactly equal to their five-month performance. While many retailers are gearing up for a more robust sales picture in the year's second half, gains may not be as big as many hope, and Christmas holds the potential for still another flurry of overbuying and markdowns.

"Retailers doing merchandise ordering for the upcoming Christmas season based upon this type of optimistic planning," says Economic Perspectives president James Newton, "are courting the same profitability disaster experienced during Christmas, 1984. To do well this year, retailers must recognize economic realities, which suggest *modest* economic growth, rather than pinning their hopes on an economic miracle that is highly unlikely to occur."

The current economic expansion, note many economists, has already overstayed, if not its welcome, at least its expected lifespan. In the postwar era, the average period of economic growth after recession has been 33 months. The current expansion chugged through its 45th month in June.

Overall, says Newton, retail sales adjusted for inflation should increase a modest 3% this year. However, the Delaware, Ohio-based management consultant predicts apparel sales will gain over 4% on an inflation-adjusted basis. Furniture, home improvement and home furnishings, Newton says, will show even greater increases. He predicts favorable fourth quarter results for New England and the South Atlantic states, but weak sales in the East North Central states.

June's sales results, which are all the less impressive since they are compared to one of 1985's weakest months, might be the model for the rest of the year. If so, it looks unlikely that the second half will bring the sales boom so many are hoping for.

For Sears, the nation's largest retailer, June brought its second best monthly comparison of the year. Sales for the U.S. Merchandising Group squeaked up 3.5%. Montgomery Ward, citing strong business for home store merchandise and electronics, reported June volume up 1.8%. J. C. Penney, where comparable-store totals averaged 6.9% for the first five months, underperformed its year-to-date figures with June same-stores gaining only 4.8%.

The month was kinder to the country's second largest retailer. K mart posted sales ahead 8.7% overall, and up 7% on a comparable-store basis.

"The sales achievement during June is encouraging," said K mart chairman Bernard Fauber. "We expect to see sales increases at this rate or greater for the balance of the year."

Department stores, on the other hand, turned in weaker performances. May's department store divisions recorded same store results increasing only 4.5%. For comparison, its Venture stores posted a 12.4% comparable store gain.

The same relationship held true at Dayton Hudson, where department store sales gained 7%, compared to a 9% jump for both Target and Mervyn's.

"Our customers continue to respond well to new fashions and trends in both soft lines and hard lines," said Dayton Hudson chairman/ceo Kenneth Macke. "Despite these encouraging signs, the overall tone of business remains somewhat sluggish. Consumers are continuing to spend very selectively."

No bloom in June, sales up 9.8%

		June sales*		Stores		5-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,2]	+ 3.5	$ 2,456,300	$ 2,372,500	799	796	$10,139,400	$ 9,996,900	+ 1.4
Penney[2]	+ 4.3	1,143,000	1,096,000	1,895	1,992	4,855,000	4,549,000	+ 6.7
Ward[1,3]	+ 1.8	389,000	382,300	292	364	1,564,000	1,584,500	− 1.3
Dayton Hudson	+ 9.5	822,600	751,400	1,201	1,146	3,430,000	3,120,000	+ 9.9
Federated[4]	+ 2.7	720,600	701,800	486	468	3,158,800	3,032,100	+ 4.2
May Dept. Stores	+ 12.0	486,000	435,000	2,210	1,941	2,066,400	1,857,400	+ 11.3
Associated Dry Goods	+ 5.2	409,800	389,500	355	340	1,737,000	1,634,000	+ 6.3
Allied Stores	+ 6.4	366,300	344,400	674	616	1,651,000	1,537,500	+ 7.4
Carter Hawley Hale	+ 7.0	360,500	337,000	299	282	1,500,100	1,432,300	+ 4.7
Mercantile	+ 8.1	167,348	154,851	80	79	742,967	687,620	+ 8.0
K mart[5]	+ 8.5	2,223,800	2,050,100	2,183	2,173	9,053,600	8,605,100	+ 5.2
Wal-Mart	+ 43.3	917,000	640,000	927	779	4,214,000	2,950,000	+ 42.8
Zayre	+ 35.1	478,400	354,200	1,024	907	1,945,400	1,468,600	+ 32.5
Bradlees	+ 18.0	163,000	138,000	156	132	670,000	526,000	+ 27.4
Tandy	+ 20.6	259,996	215,516	N/A	N/A	1,254,453	1,094,185	+ 14.6
Circuit City	+ 33.7	63,900	47,800	76	97	283,700	210,400	+ 34.8
Federated Group	+ 34.2	40,000	29,800	60	47	157,900	123,900	+ 27.4
Totals & Averages	+ 9.8	$11,467,544	$10,440,167	—	—	$48,423,720	$44,095,505	+ 9.8

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only.

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Responding to Conran's challenge
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Chain Store Age

GENERAL MERCHANDISE TRENDS SEPTEMBER 1986

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RETAILERS PICK THEIR TOP RESOURCES

Size alone is no guarantee a vendor will be tops. An exclusive CSA retail survey reveals the best resource partners, and why. **p. 15**

TWO DOLLARS PER ISSUE

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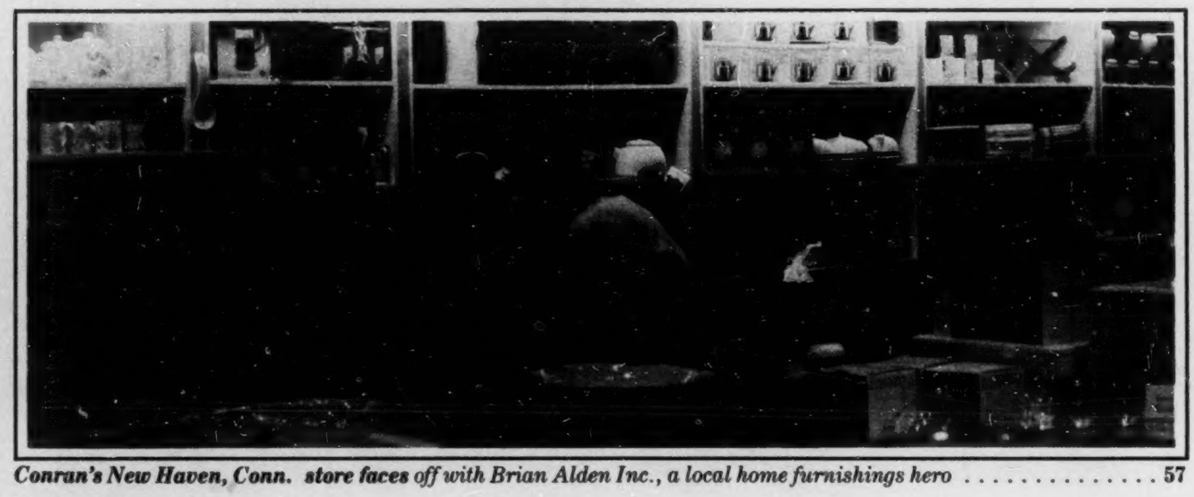

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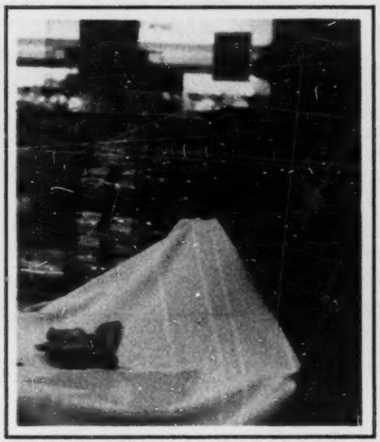

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RETAILERS EVALUATE THEIR TOP RESOURCES

The vendor-retailer partnership goes beyond sales. Buyers picked top resources for 40 categories based on six criteria, including profit margins, turns and on-time delivery.

That Kodak thoroughly dominates the disc camera market will come as no surprise to anyone in the photo business.

But the fact that consumer electronics buyers consider two domestic television brands, RCA and Zenith, their top performers might startle a few people familiar with the many aggressive foreign entries in that category.

Coleco's extraordinary success with Cabbage Patch Kids has understandably made it one of the most recognized resources for dolls. But the fact that few buyers consider Coleco the industry's best doll company will surprise only those who do not remember the way retailers grumbled when they could not get enough Kids to satisfy their customers.

Milton Bradley's reputation as a top resource for board games has been solidified over the years by the consistency of products like Monopoly. But how many people who remember the country in the grip of a trivia craze would expect that in a survey not one buyer would choose Selchow and Righter, distributor of Trivial Pursuit, as his most profitable board game resource?

These are just some of the findings of the first annual *Chain Store Age*/Leo J. Shapiro & Associates Top Resources Study. Like many studies, this one tends to confirm impressions about some issues and offer surprising insights into others.

The *CSA* study attempted to measure the way buyers rate brands in 40 product categories. The study surveyed discount and department store buyers and merchandise managers in seven areas—consumer electronics, housewares, home textiles, stationery, sporting goods, photo/camera and toys. Thirty retailers per product responded.

Buyers were first asked to name all resources that come to mind when a particular product is mentioned, and then were asked to select their best performing product in each of six characteristics—good retail profit margins, co-op advertising, turnover rate, on-time delivery, consumer ad support, and inventory sell-through. Responses were tabulated to determine the best overall performer.

Among other things, the study points out that in certain highly promoted, "hot" categories, the biggest names often cannot be counted on to be a help to the bottom line. In blank videocassette tapes, for instance, few of the most frequently mentioned brands were selected by buyers as top profit producers.

The survey also revealed that buyers do not always know as much as they should, and do not always do their homework. About one in four photo buyers named Kodak as a resource for 35mm SLR cameras, even though Kodak has not produced an SLR in years.

For vendors with limited distribution, the study is heartening. It showed that if a vendor does a good enough job in the segment of the market it has identified, it can make more of an impression than some much bigger, more broadly distributed companies.

For instance, Emerson, which distributes its consumer electronics products almost exclusively on the mass market, was mentioned by just 16% of buyers as a resource that comes to mind for televisions. But enough of those buyers went on to vote for Emerson as their best resource to

Ten dominant top resources

Product/resource	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Disc camera/Kodak	82.4%	96.9%	67.9%	100.0%	78.6%	86.2%	93.1%	70.4%
Vacuums/Hoover	74.3	87.0	72.2	76.5	78.9	61.1	77.8	78.9
Tennis racquets/Wilson	62.7	79.2	60.0	60.0	61.9	70.0	61.9	61.9
Irons/Black & Decker/G.E.	61.6	102.9[1]	36.5	68.0	68.7	64.5	66.7	54.8
Action figures/Hasbro	58.3	73.3	66.6	50.0	67.9	50.0	61.5	58.6
Board games/Milton Bradley	57.6	84.8	60.0	66.7	50.0	63.0	60.0	48.4
Drapery Hardware/Kirsch	57.4	68.2	57.9	56.3	52.6	61.1	64.7	52.6
Tennis balls/Wilson	56.3	73.5	56.0	54.2	54.8	58.1	62.5	56.3
Towels/Cannon	53.1	70.3	47.2	51.9	57.1	53.1	55.2	54.3
Electronic typewriters/Brother	51.7	82.4	56.3	50.0	53.3	53.3	42.9	53.3

[1] Totals more than 100% because some buyers voted for both G.E. and Black & Decker

Source: *Chain Store Age*/Leo J. Shapiro & Associates

give the brand a third place finish in televisions.

Cuisinart met with the same kind of success among department store buyers. About one-third of them voted the company their top food processor brand, enough to give Cuisinart a third place finish in the category even though it does not widely distribute to discounters.

Black & Decker/G.E. irons earned 1.02.9% of brand mentions.

Still, despite the success of some of these more focused brands, the study showed that the most popular resources are those with crossover appeal—those that can walk a fine enough line to be successful in both discount and department stores. Sunbeam's food processors, D. P.'s exercise equipment, Hasbro's action figures are a few brands that appeal to both discount and department store merchants.

The very idea that resources can be judged and ordered is not, of course, new. Retailers have always done it in one fashion or another to decide which products go, which stay, which get more promotional emphasis, which get less space.

Lately, however, retailers have become a bit more public about this process. More and more have begun awards programs designed to recognize their best vendors. Typically orchestrated under titles like "Vendor of the Year" or "Partners in Progress," these programs are designed to emphasize the positive side of what is often a tumultuous world of vendor-retailer relations.

"We realize that in order to be successful we have to depend on a lot of people, including our suppliers," says a spokesman for Hills, the discount store chain that began handing out vendor awards this year.

Hills began its selection process in December when buyers and merchandise managers submitted nominations to their respective vice presidents, who then whittled down the list and presented a group of finalists for judging to the senior vice president and general merchandise manager.

Among the criteria Hills used to judge vendors are a number included in the *CSA* study—gross profit performance, timely shipping and co-op ad monies. Other factors considered by Hills: personal involvement of top level supplier officers, innovative product offerings and commitment to Hills' new stores.

While these kinds of vendor award programs are admirable, they are also, by their nature, somewhat skewed. Any given chain can only carry so many brands, which limits the number of vendors that can be considered in a category. And, realistically, the amount of shelf space and promotional support a brand gets can have as much to do with the way the local rep and retail buyer get along as anything else.

CSA's survey, while recognizing the value of such programs, aspires to more objectivity and more comprehensiveness. By interviewing dozens of buyers in each category and breaking down their responses into specific measures, *CSA* hoped to illustrate not only who the top resources are, but why they are considered so good. Why do some vendors succeed and other do not?

Consider the case of Sony televisions. Why did not such a high profile company score better than RCA and Zenith? According to the study, the issue is profitability. Not one buyer chose Sony as his most profitable television resource.

How have buyers reacted to the proliferation of licensed goods in plush toys? Not too well, judging from the *CSA* study. Two of the top resources are department store lines that have stuck largely with generic plush. Not surprisingly, these resources, Gund and Russ Berrie, scored extremely well on profitability.

The study yields much more. Which brands get the most out of their limited distribution? Which have the best cross-over appeal? Which have the best record for on-time delivery? Which get high marks for their support programs?

The following article details the findings. ☐

Special report written by
Steve Malanga,
Contributing Editor

TV buyers choose Made in U.S.A.

In the most visible of consumer electronics categories, televisions, buyers voted RCA and Zenith best.

Perhaps the consumer electronics buyers surveyed by *Chain Store Age* for its top resource study were in a patriotic mood because of the 100th anniversary of the Statue of Liberty. Or maybe it was just a case that some Japanese vendors have finally gone too far in their almost singleminded quest for marketshare even at the expense of profitability.

Televisions: Whatever the reason, buyers participating in the *CSA* study chose two American brands as their top resources in that most visible of consumer electronics categories, televisions. RCA and Zenith powered to first and second place in overall performance on the strength of strong showings in several categories, including gross profit margins and turnover rate.

What was surprising about the study was how low Sony, perhaps the most-watched company in the television business, scored overall. Despite being mentioned by nearly one-third of all buyers as a brand that comes to mind in the television category, Sony came in with just a 4.3% score as tops in overall performance. What particularly hurt the brand was its poor profit performance. Not one buyer cited Sony televisions as tops in gross profit margins.

Another surprise was how well Emerson, never a prestige name in the business, scored. Despite receiving mentions from just 16.1% of buyers as a brand that comes to mind when thinking of televisions, Emerson got the nod in overall performance for a 12.9% score. That means that four of every five buyers who mentioned Emerson at all later went on to vote for the brand as their best performer. Not surprisingly, all of Emerson's support came from discount store buyers.

The survey showed that, at least as far as buyers were concerned, the much heralded South Korean invasion had not gained too much of a foothold, at least in televisions. Goldstar did manage mentions from 22.6% of buyers, but only 8% ranked it their top performer. No other South Korean brand showed up in the study. Still, Goldstar did rank as the No. 2 discount resource behind Emerson and ahead of G.E.

Video tape: Sony did manage better performances in two tape categories studied by *CSA:* audio and video. In both cases Sony's total top-of-mind awareness proved extremely high, and the manufacturer earned good marks for co-op ads and on-time delivery. But the company only ranked fourth on profit margins in the video tape category. Maxell, the overall leader by a fraction over Sony, outperformed Sony in profit margin.

Sony, the closely watched TV company, *placed third in overall performance.*

An indication of how diffuse the video tape business is can be seen from the fact that retailers identified 25 numbers of brands, 15 of which received enough mentions for separate listings in the research. Moreover, the "other" category earned top marks for all six rating criteria.

The audio tape market, older and hence more settled, proved an entirely different situation. Five vendors divided up all but 22% of the votes. Close behind the three market leaders were Memorex, voted best overall by 16.1% of buyers, and Scotch, which captured 13.0% of votes as overall best performer. Memorex scored particularly well on turnover rate and consumer ad support, while Scotch did best on consumer ad support and on-time delivery.

In evaluating audio tapes, department store buyers proved most partial to Maxell, giving it almost twice as many mentions as discount buyers did. TDK, on the other hand, earned No. 1 in the category because of support from discount buyers, who voted for it about twice as much as every brand except Sony.

In boom boxes, the one other audio category studied by *CSA*, rankings seemed partially contingent on a resource's ability to cross trade class lines. Sharp, No. 3 finisher in total performance, scored equally well with department store and discount store buyers, perhaps in part because of the crossover appeal of its colored boom boxes. That kind of appeal was probably one reason why Sharp was among the highest-rated for profit margins.

Limited distribution hurt Fisher's overall rankings, which is why the brand does not fall among the top three. But seen just in the light of its department store distribution, Fisher actually scored quite well. Nearly 20% of department store buyers voted Fisher their top performer, second only to Panasonic's 22% among this trade class.

G.E. proved tops in the category because of the way it dominated the discount arena, getting nearly 29%

of discount buyers to rate it top overall performer. That was almost double the discount market share of second place Panasonic.

In boom boxes, as in so many other consumer electronics categories, gross profit performance proved problematic. The top performers overall scored lower on gross profit performance than they did on just about every other measure. Secondary brands, generally not promoted as heavily, proved stronger in gross profit margins, on the whole, than in categories like co-op advertising, turnover rate, and sell-through. Perhaps most enlightening was the fact that the "other" grouping scored twice as high in gross profits as it did in overall performance.

Boom boxes proved another difficult category for Sony. Once again the vendor's share of mind was high; nearly 39% of buyers mentioned the brand. But only 10% rated it tops overall. Only one in three buyers who mentioned the brand went on to rate it his best performer.

Electronic typewriters: Brother powered to an impressive win in what proved the most one-sided of consumer electronics categories, electronic typewriters.

Scoring well with dept. and discount store buyers, AT&T/Bell was No. 1.

Behind Brother's performance—more than half of all buyers chose it their best brand—was a strong showing with both discount and department store buyers. Nearly 44% of department store buyers selected it their top brand, giving Brother a 10% margin over Smith-Corona in department stores. More than 60% of discount buyers chose it their best brand, almost twice as many as chose the No. 2 brand in discount stores, Royal.

Telephones: Sell-through, not profitability, proved to be AT&T's soft spot in the telephone category, although not enough to keep the brand from capturing first place.

Scoring well with both department store and discount store buyers, AT&T/Bell was the clear winner on profit margins, consumer and co-op ads. But turnover rate and sell-through both proved problematic, as G.E. scored higher in sell-through and tied AT&T/Bell in turnover.

Both AT&T/Bell and G.E. phones were favored slightly more by department store buyers, while discount buyers gave 18.4% of their votes to ITT. That strong showing among discounters, in fact, was solely responsible for ITT's third-place finish over G.T.E. and Panasonic, which had twice as much support among department stores as they did with discount store buyers.

Panasonic, finishing fourth, garnered top votes from 11.2% of buyers, while 7.5% voted for G.T.E. Panasonic was hurt in the profit margin category, getting a first

Sony lags for televisions, but earns good marks for magnetic products

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
VCR tape								
1. Maxell	20.1%	51.6%	19.2%	20.0%	17.9%	25.0%	21.4%	17.2%
2. Sony	19.5	41.9	11.5	30.0	17.9	25.0	14.3	20.7
3. TDK	13.2	35.5	15.4	15.0	14.3	14.3	10.7	10.3
Audio tape								
1. TDK	27.3	50.0	20.7	22.7	27.6	25.9	34.6	32.1
2. Maxell	26.7	50.0	24.1	22.7	27.6	33.3	26.9	25.0
3. Sony	19.9	26.7	20.7	22.7	17.2	25.9	19.2	14.3
Telephones								
1. AT&T/Bell	31.7	58.6	35.7	37.5	21.4	29.6	44.4	22.2
2. G.E.	23.0	37.9	25.0	20.8	21.4	22.2	22.2	25.9
3. ITT	11.8	27.6	10.7	12.5	14.3	11.1	[illegible]	14.8
Telephone answering devices								
1. Panasonic	25.4	45.8	17.4	28.6	26.1	22.7	31.8	26.1
2. AT&T/Bell	17.9	20.8	17.4	19.0	13.0	22.7	18.2	17.4
3. Phone-Mate	14.9	29.2	17.4	14.3	13.0	13.6	13.6	17.4
Electronic typewriters								
1. Brother	51.7	82.4	56.3	50.0	53.3	53.3	42.9	53.2
2. Smith-Corona	24.1	35.3	25.0	16.7	26.7	13.3	35.7	26.7
3. Royal	20.7	47.1	12.5	41.7	13.3	26.7	14.3	20.0
Televisions								
1. RCA	17.8	38.1	11.1	8.7	20.7	17.2	25.0	22.2
2. Zenith	14.7	32.3	7.4	17.4	17.2	13.8	14.3	18.5
3. Emerson	12.9	16.1	11.1	4.3	17.2	17.2	7.1	18.5
Boom boxes								
1. G.E.	19.4	41.9	10.0	22.2	22.6	23.3	19.4	19.4
2. Panasonic	18.9	54.8	10.0	25.9	16.1	16.7	29.6	16.1
3. Sharp	12.2	25.8	13.3	11.1	12.9	10.0	12.9	12.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

place nod from just 7.5% of buyers, but the brand scored well, with a 14.3% rating, on turnover.

G.T.E., by contrast, scored below 5% on both co-op advertising and turnover rate, but garnered 11.1% of votes for on-time delivery.

Cobra, Conair and Webcor all scored below 5% on total performance. Cobra actually did quite well in top-of-mind awareness, garnering responses from nearly 28% of those mentioned. But only 3.7% of buyers went on to choose it as their best performer. That means only one in eight buyers who mentioned the brand later chose it as tops in the category.

TADs: Panasonic showed why it is the market share leader in telephone answering devices. Among retailers it rated tops in all criteria, though it did share leadership rankings with AT&T/Bell for on-time delivery, and with AT&T/Bell and Phone-Mate for good retail profit margins. ☐

Is it Black & Decker or G. E.?

The synergy of these two names helped Black & Decker dominate small electric housewares.

Several years after Black & Decker's purchase of General Electric's small appliances business, buyers still seem a bit confused by the merger.

For one thing, there is still no consensus among buyers what to call the resource, with some buyers sticking to the G.E. name while others already refer to products by the Black & Decker label. And some buyers seem confused enough by the whole thing that in the *Chain Store Age* Top Resources Study they apparently voted for both G.E. and Black & Decker in some product categories.

When asked which resources they thought of when it came to irons, a total of 102.9% of buyers mentioned either G.E. or Black & Decker, and more than half of them went on to vote for one of the two brands as their top performer.

The G.E. name remains most favored. In food processors, the G.E. brand was preferred 25% to 17.9%, while in irons G.E. won out 64.7% to 38.2%. Only in electric coffeemakers did more buyers choose the Black & Decker name, voting for it 33.3% to 27.3% for G.E.

The synergy of those two names helped Black & Decker dominate several housewares categories, notably irons, electric coffeemakers, and hair dryers. In irons the Black & Decker/G.E. combination won about three times as many votes for best overall performance as the nearest competitor. In hair dryers the spread was even greater.

Black & Decker/G.E. consistently did well on support programs, particularly co-op and consumer advertising. On those areas the company regularly scored better than it did in the good profit margins category.

The Black & Decker name generally proved more familiar to discount store buyers, while G.E. tended to split its vote between discounters and department stores. Black & Decker's awareness was obviously so much higher among discounters because the company, through its tool divisions, has operated in discounters for so long. In the electric coffeemaker category, for instance, about 32% of discount buyers named Black & Decker their best resource, while 10.8% of department stores voted it tops.

Microwaves: G.E. retained its microwave oven business, but it could only finish second to Litton which won a solid victory by scoring well on profitability and turnover rate.

The problem both G.E. and Sharp, which finished third, had was that both apparently lost votes to a large group of secondary resources that did particularly well on issues like profitability and co-op ad support. "Other" brands scored a 19.0% rating on profit margins and a 23.8% rating on consumer ad support.

Microwave cookware: What

FARBERWARE
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FARBERWARE

Revere, Mirro and Ekco edged out Farberware in the metal cookware category.

Black & Decker's small electrics win plaudits from buyers

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Microwave ovens								
1. Litton	26.4%	46.4%	28.6%	31.6%	33.3%	18.2%	23.8%	23.8%
2. G.E.	16.9	39.3	14.3	15.8	19.1	13.6	18.1	14.3
3. Sharp	12.8	35.7	9.5	10.5	19.0	13.6	9.5	14.3
Microwave cookware								
1. Rubbermaid	26.3	38.9	17.6	26.7	23.5	32.3	30.3	28.1
2. Corning Ware	23.2	47.2	26.6	23.3	20.6	22.6	30.3	21.9
3. Anchor Hocking	20.6	44.4	20.6	6.7	26.5	29.0	12.1	28.1
Metal cookware								
1. Revere	28.4	38.9	17.1	33.3	34.3	25.8	34.4	26.5
2. Mirro	16.5	33.3	20.0	14.6	14.3	22.6	12.5	14.7
3. Ekco	13.9	22.2	14.3	14.8	11.4	12.9	15.6	14.7
Cutlery								
1. Chicago Cutlery	38.9	54.9	23.3	44.4	30.0	46.7	53.6	36.7
2. Ekco	10.9	9.7	10.0	11.1	10.0	10.0	10.7	13.3
3. Oneida	6.9	9.7	6.7	7.4	6.7	6.7	7.1	6.7
Irons								
1. Black & Decker/G.E.	61.7	102.9[1]	36.5	66.0	68.7	64.5	66.7	54.8
2. Sunbeam	21.5	61.8	21.4	24.0	15.6	22.6	23.3	22.6
3. Proctor-Silex	10.7	32.4	14.3	4.0	9.4	19.4	—	16.1
Electric coffeemakers								
1. Black & Decker/G.E.	32.9	60.6	24.1	37.0	26.7	32.1	44.8	33.3
2. Mr. Coffee	27.7	57.6	24.1	18.5	36.7	21.4	34.4	30.0
3. Norelco	33.3	13.8	18.5	16.7	10.7	13.8	16.7	15.0
Glassware								
1. Libbey	34.3	55.3	36.1	34.5	36.1	36.4	27.3	34.3
2. Anchor Hocking	26.7	42.1	22.2	24.1	25.0	27.3	33.3	28.6
3. J. G. Durand	18.3	34.2	25.0	17.2	19.4	18.2	15.2	14.3
Food processors								
1. Sunbeam	33.8	57.1	19.2	28.0	44.0	29.2	47.8	36.0
2. Black & Decker/G.E.	27.7	42.9	30.8	20.0	24.0	33.3	26.1	24.0
3. Cuisinart	18.9	25.0	23.1	20.0	16.0	20.8	17.4	16.0
Hair dryers								
1. Black & Decker/G.E.	46.1	51.1	38.1	42.1	45.5	47.6	57.1	45.5
2. Norelco	19.8	43.5	19.0	26.3	18.2	28.6	9.5	18.2
3. Vidal Sasson	14.3	26.1	19.0	10.5	13.6	9.5	19.0	13.6
Vacuum cleaners								
1. Hoover	74.3	87.0	72.2	76.5	78.9	61.1	77.8	78.9
2. Eureka	22.0	60.9	22.2	23.5	21.1	27.5	22.2	15.8
3. Panasonic	2.8	13.0	5.6	—	—	5.6	—	5.3
Clocks								
1. Westclox	39.3	52.2	33.3	37.5	47.6	35.0	47.4	35.0
2. Spartus	12.8	30.4	14.3	6.3	14.3	20.0	5.3	15.0
3. Sunbeam	8.5	21.7	4.8	6.3	9.5	10.0	10.5	10.0

[1] Totals more than 100% because some buyers mentioned both G.E. and Black & Decker.

Source: *Chain Store Age*/Leo J. Shapiro & Associates

proved most curious about the microwave cookware category was how much Anchor Hocking's rating varied from characteristic to characteristic measured by *CSA*. Anchor Hocking managed a third-place finish in the category despite low marks, relative to its overall performance, on both co-op and consumer ad support. Curiously, that kind of estimation did not carry over to other categories for Anchor Hocking. In glassware, for instance, the resource scored better than any other on consumer ad support.

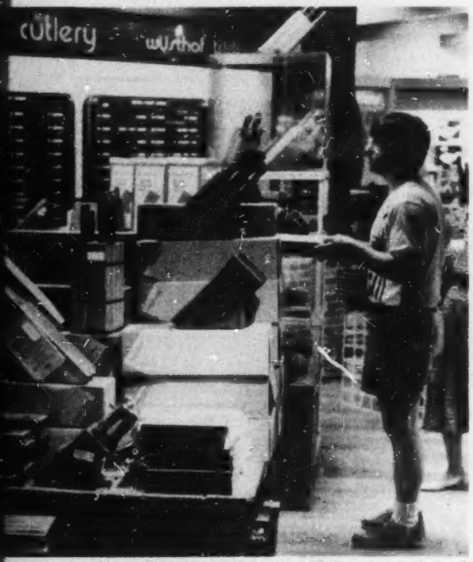
Rubbermaid was the top resource and proved the most "efficient" resource in the microwave cookware category because of the way it was able to convert mentions as a brand into votes for best performer. Five of every seven buyers who listed Rubbermaid as a resource in the category went on to vote it a top performer.

The story in metal cookware seems to be the in-roads made by imported, smaller brands, especially among department store buyers. Those smaller brands, grouped under the "other" designation, captured 26.3% of total votes for best performance and were strongest among department store buyers: 33% of them voted "other" brands tops.

The success of smaller brands as a group in this category was again attributable to low profitability of major resources. The smaller brands scored best on profitability, while first-place finisher Revere achieved its lowest score for profit margins. Mirro rated best for profits among top resources.

Not surprisingly, the smaller brands scored poorest on such characteristics as co-op advertising and consumer ad-support, while these proved among the strongest areas for Revere, Mirro and Ekco.

The cutlery category proved much the same as metal cookware. Chicago Cutlery dominated on the



***Nearly 4 out of every 10 buyers** picked Chicago Cutlery as the No. 1 resource.*

strength of its acceptance in both discount and department stores, but "other" brands carved a niche with discounters. These smaller brands, grouped together, actually received nearly three times as many votes as second-place finisher Ekco, while third-place finisher Oneida had among the lowest scores, 6.9%, of any third-place resource in the study.

Once again the issue was profits. Nearly 37% of buyers chose a smaller brand as their profit margin leader, and together the top three resources could manage fewer than 40% of the votes as gross profits leader.

Discount buyers favored smaller brands, 37.3%, to 20% of department store buyers. One reason for the lower department store score was that many department store buyers favored Chicago Cutlery; it won 54% of their votes. By contrast, no resource of the nine listed by name received 20% of discount store buyer votes. Chicago Cutlery had 18.7% with Ekco and Oneida each garnering 16%.

Food processors: One housewares category where discounters and department store buyers did vote alike was food processors. Sunbeam drove to a victory there on the strength of the crossover appeal of its Oskar. More than 40% of discount buyers and nearly 29% of department store merchants chose Sunbeam as their best resource. No resource scored higher among discounters, and only Cuisinart, with 33% of buyers voting for it, did better with department stores.

Also noteworthy about the food processor business is that the top brands scored so well that smaller brands grouped in the "other" designation did not get a single vote on any of the six characteristics measured by *CSA* despite being mentioned by 18% of buyers as brands that come to mind.

Hair dryers: Black & Decker/G.E.'s success in hair dryers was to a certain extent also the story of Norelco's inability to capitalize on its high recognition. Although 43.5% of buyers mentioned Norelco as a resource that comes to mind, less than half of those buyers made it their top resource. By contrast Black & Decker/G.E. got more than four of every five buyers who mentioned it as a brand that comes to mind to consider it as best performer.

Coffeemakers: The combined Black & Decker/G.E. score took top honors for coffeemakers winning in both department and discount stores. Mr. Coffee and Norelco came in second and third overall. Mr. Coffee was the second best discount store resource, but was tied for fourth with Krups and Braun in department stores. Norelco was second with department stores and third with discounters. Proctor Silex was third with department stores.

Glassware: Libbey copped the best overall rating because of its crossover strength in department and discount stores. It was judged best in five of six areas. Only in consumer ad support did archrival Anchor Hocking beat it.

Vacuums and clocks: The two remaining categories tracked by *CSA*, vacuum cleaners and clocks, proved as different as one could imagine. Vacuum cleaners, was dominated by one brand, Hoover, while in clocks, smaller brands grouped into the "other" classification scored higher than they did in any other category.

Department store buyers were largely responsible for the "other" success in clocks: 54% of department store buyers chose "other" brands, while 28% of discounters did.

Only one brand, Westclox, showed any kind of significant presence in clocks, dividing its votes almost evenly among discount buyers and department store buyers.

Hoover, as expected, dominated the vacuum cleaner business, but Eureka made a credible showing in department stores, capturing 30% of first place votes from those buyers. □

Selling two formats, a winning formula

Having crossover department and discount appeal allows some brands to dominate specific categories.

Some department store brands would not be caught dead in a discount store and would do anything possible to keep themselves out of these outlets. By the same token, many discount store brands simply do not bother trying to distribute to department stores. Both realize that you can send customers some awfully confusing signals if you suddenly wind up on the shelves of very different outlets.

Nevertheless, there are some brands that manage to so dominate a particular category that they have enough crossover appeal to sell well in both discounters and department stores. These brands have discovered how to tell a price story in discount outlets while maintaining the kind of quality image to sell consistently well in department stores.

In the *Chain Store Age* Top Resource Study, 13 companies proved versatile enough to emerge as the top vote getters in their categories among both discount and department store buyers. These resources showed the kind of crossover appeal that made them among the most popular tracked by *CSA*.

Resources that proved best at this kind of dual-layered distribution tend to be innovators, like Kodak, who carve out a market for themselves with a product and then use superior marketing muscle to keep the imitators at bay. Kodak, in fact, had the most balanced appeal of any brand. Its disc camera won best performer votes from 82.3% of

A delicate balance is key to success[1]

Product	Resource	% "best" mentions	% department store buyers	% discount store buyers
Telephones	AT&T/Bell	31.7	37.9	72.2
Electronic typewriters	Brother	51.7	43.2	60.5
Hair dryers	Black & Decker/G.E.	46.1	28.8	55.5
Vacuum cleaners	Hoover	74.3	66.7	83.7
Clocks	Westclox	39.3	39.0	39.7
Exercise equipment	D.P.	42.5	40.4	44.0
Tennis racquets	Wilson	62.7	48.1	75.0
Tennis balls	Wilson	56.3	62.9	51.9
Baseball gloves	Wilson	44.8	55.4	38.3
Drapery hardware	Kirsch	57.4	69.2	46.4
Disc cameras	Kodak	82.4	82.3	82.6
Action figures	Hasbro	58.3	47.7	65.9
Board games	Milton Bradley	57.6	40.5	72.0

[1] Chart lists those brands that scored best among both department store and discount store buyers.
Source: *Chain Store Age*/Leo J. Shapiro & Associates

department store buyers and 82.6% of discount store buyers.

These companies also tend to be quick to capitalize on new trends while holding on to the business they have already carved out. Wilson followed the lead of Prince into the oversized tennis racquet market, and now no other resource has the kind of combined low-end, high-end appeal of Wilson.

In some cases these resources have been the beneficiary of the upscaling trend among discounters and the simultaneous desire on the part of department stores to become more price competitive. Just look at the success that AT&T/Bell has had getting distribution in discount stores even though its advertising message never emphasizes price and in fact tacitly acknowledges that its competition has lower prices on most telephones.

In some cases, these brands tend to be part of a category that is so new, and so hot, that everyone scrambles to get in on the action as quickly as possible. In those cases the question of where a vendor is distributing seems less important to a buyer than the issue of how fast that vendor can get the buyer the right product.

Such might be the case with D.P., which, through its home-gym systems, rode the crest of the exercise equipment craze to achieve solid distribution in both discounters and department stores. A few bells and whistles here and there were all that were needed for D.P. to distinguish its home gym systems from one another, giving department store customers products with enough of a difference to justify the higher prices that department stores generally demand. ☐

Winners dominate textiles arena

Retailers mentioned many resources but narrowed their top picks to a precious few.

The sheets and pillowcases category turned out to be among the most unusual studied by *Chain Store Age* in the Top Resources poll.

When quizzed about which companies operate in the field, buyers were quick to name resources, listing 14 brands enough times to be considered numerous enough for inclusion in the study. Six companies were mentioned by at least 20% of the buyers and two more by more than 15%.

But what proved most unusual is that when it came time to begin rating these companies in terms of performance, most buyers concentrated their votes among just several top resources. What looked at first like it would be a category where share was extremely diffuse proved one in which buyers knew what they liked.

Cannon was clearly the best performer in the category, capturing best performance in four of six criteria. Cannon also did well in the percentage it received for best performance relative to the number of total mentions it received.

By contrast, many companies had problems converting their mentions from buyers into rankings as best performer. Stevens, which was mentioned by 24% of buyers as a resource that comes to mind, emerged as best performer for just one-fourth of those buyers. Martex, mentioned by 21.1% as a resource that comes to mind, wound up a top performer for just 3.9% of all buyers.

Not surprisingly, Cannon dominated the discount segment, with 41.6% of the vote for best performer. But the segment's second largest block of votes went to resources grouped in the "other" disignation, which received best performer votes from 27% of buyers.

Fieldcrest and Springs attracted the department store vote, 31.0% to 29.3%, while Cannon, with 16.4% of department store votes, proved the only other significant brand.

Towels were quite a different story. Two brands, Cannon and Fieldcrest, each were mentioned by more than half of buyers, and the two pretty much divided up the top votes. Several brands, including St. Mary's and Stevens, had trouble converting their total mentions, 21.6% and 24.3%, respectively, into votes for best performer.

Towels was a category where "other" again made its presence felt, but only on the discount side of the business. Although the study listed 11 brands by name as top resources, brands grouped in the "other" designation still got 27% of first place votes. Only Cannon, with a healthy 41.6% of discount buyers voting for it, got more votes from this trade class.

By contrast fewer than 1% of department store buyers voted for small brands as their best resource. Most of the support by department store merchants was concentrated on Fieldcrest, with 31% of the vote, Springs, 29.3%, and Cannon, 16.4%.

Electric blankets: The story of Northern/Sunbeam and Fieldcrest's one-two finish in electric blankets again reflected a case of each brand dominating one trade class. Northern/Sunbeam got 64%

of discounters to name it top performer, while Fieldcrest was voted tops by 60% of department store buyers.

Mini-blinds was one of only two categories in the entire *CSA* study in which smaller brands grouped in the "other" designation actually scored higher than every major brand. Nearly 35% of votes for best performer went to "other" brands, that is, brands besides the six mentioned most often by buyers.

In three characteristics, profit margins, turnover rate and sell-through, "other" brands actually got twice the number of votes as the best performing named resource.

Among the top resources, Levolor won because of its strength with department store buyers, garnering 30.5% of their votes for top performer. Graber proved strongest among discounters, getting 32.1% of their first place votes. No brand demonstrated any significant crossover appeal.

The drapery hardware business was another thing, entirely. Kirsch dominated the category, getting more than half of votes for best performer. With 68.2% of total mentions as a resource, it was clearly a dominant player. "Other," so much of a factor in mini-blinds, was insignificant in this category, getting only 5.6% of votes for best performer.

The kind of success Kirsch exhibited can only be gained by strong crossover appeal. Kirsch had nearly 70% of department store buyers naming it best resource, while 46.4% of discounters called it tops. No other resource got more than 12% of mentions from department store buyers or more than 18% from discounters.

Kirsch's ability to garner more than 50% of buyers' votes in each of six characteristics measured was unusual in the *CSA* study. While the company had its lowest scores on turnover rate and sell-through, on both characteristics Kirsch got more than three times as many votes as the nearest competitor. ☐

Fieldcrest Cannon most "mega" of the megamills, Kirsch hangs up drapery hardware

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Sheets/Pillowcases								
1. Cannon	27.3%	44.7%	27.8%	24.0%	29.7%	30.6%	21.2%	28.9%
2. Fieldcrest	20.0	39.5	16.7	28.0	18.9	19.4	24.2	15.8
3. Springs/Springmaid	16.6	42.1	13.9	12.0	18.9	13.9	15.2	23.7
Electric blankets								
1. Sunbeam/Northern	43.8	69.3	35.7	53.4	46.7	40.7	42.1	37.4
2. Fieldcrest	35.9	48.3	39.3	38.1	32.1	33.3	34.8	38.5
3. St. Mary's	11.1	13.8	14.3	4.8	10.7	14.8	8.7	11.5
Towels								
1. Cannon	53.1	70.3	47.2	51.9	57.1	53.1	55.2	54.3
2. Fieldcrest	30.9	56.8	33.3	29.6	28.6	31.3	31.0	31.4
3. St. Mary's	7.2	21.6	11.1	3.7	8.6	9.4	3.4	5.7
Mini-blinds								
1. Levolor	21.8	41.2	20.0	21.4	20.0	21.4	28.6	20.0
2. Kenney	14.9	11.8	20.0	14.3	13.3	14.3	14.3	13.3
3. Newell	13.8	11.8	13.3	14.3	13.3	14.3	14.3	13.3
Kirsch	13.8	23.5	13.3	14.3	13.3	21.4	7.1	13.3
Drapery hardware								
1. Kirsch	57.4	68.2	57.9	56.3	52.6	61.1	64.7	52.6
2. Newell	14.8	18.2	15.8	12.5	15.8	16.7	11.8	15.8
3. Graber	12.0	18.2	15.8	12.5	10.5	5.6	11.8	15.8

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Turning awareness into performance

Some resources serve specific markets, yet manage to make the most of their limited distribution systems.

Chain Store Age recognizes that the Top Resource Study might have favored certain companies and put others at a disadvantage. By relying on the total number of votes resources received, the study gave a slight advantage to companies that distribute nationally and sell their products through both department stores and discount outlets.

For that reason *CSA* developed an efficiency index. Put quite simply, the index divides the rating a resource received in the overall performance category by the rating it received in the total mentions column. The efficiency index shows just how many buyers who thought of a particular product when asked about a category later went on to vote for that brand.

Consider, for instance, the case of Shaeffer Eaton date books. As an upscale line, the Shaeffer product received support from nearly 40% of department store buyers participating in the study. But few discounters carry the brand, so it had little chance to score points with those buyers.

Yet Shaeffer manages to make the most out of the distribution it has. Although only about 29% of all buyers said the brand came to mind when they thought of date books, nearly every buyer who did mention it later went on to vote for the brand.

Because of that performance Shaeffer's date books received a high efficiency rating—94%. Sixteen out of 635 products mentioned even scored more then 100%. That occurred in cases where buyers didn't first think of a particular brand when asked what brands came to mind. But as the researchers asked progressively more specific questions about the category, some buyers obviously began to remember how well certain brands did and began voting for them more often. Vivitar was an example, mentioned by 8.7% as a source of 35mm SLR's, but rated best overall by 9.0%. Its efficiency index was 103%.

Indeed, Vivitar achieved what only one other resource was able to do—a double placement among the top 20 resources in efficiency rating. Its 35mm autofocus camera commanded even more respect from buyers than its 35mm SLR line.

Mead Products earned the other double citation, winning it for date books and desk accessories.

It is also interesting to note that nearly half of the top 20 efficiency index listings came from just four product categories. 35mm autofocus cameras led the field with three—Olympus, Vivitar and Pentax.

Kenney and Newell represented mini-blinds suppliers; Mead and Shaeffer date books; while Ekco joined Washington Forge as efficient cutlery resources. ☐

Efficiency rating: making the most out of your distribution

Resource	Product category	Rating
1. Wilson	Exercise equipment	138%
2. Kenney	Mini-blinds	126
3. Mead G.E.	Date books Clocks	120 118
5. Newell	Mini-blinds	117
6. Olympus Vivitar	35mm autofocus camera 35mm autofocus camera	113 113
8. Ekco	Cutlery	112
9. GTE Mead	Telephone answering devices Desk accessories	108 108
11. Washington Forge Polaroid	Cutlery VCR tape	106 106
13. Pentax Ambassador	Binoculars Partyware	104 104
15. Vivitar	35mm SLR camera	103
16. Toshiba	Microwave oven	101
17. Scotch	Audio tape	98
18. Panasonic	Electronic typewriters	97
19. Shaeffer Eaton	Date books	95
20. Pentax	35mm autofocus camera	94

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Toy buyers value consistency

Mattel proved its staying power, placing consistently within the top three, in 4 out of 5 categories.

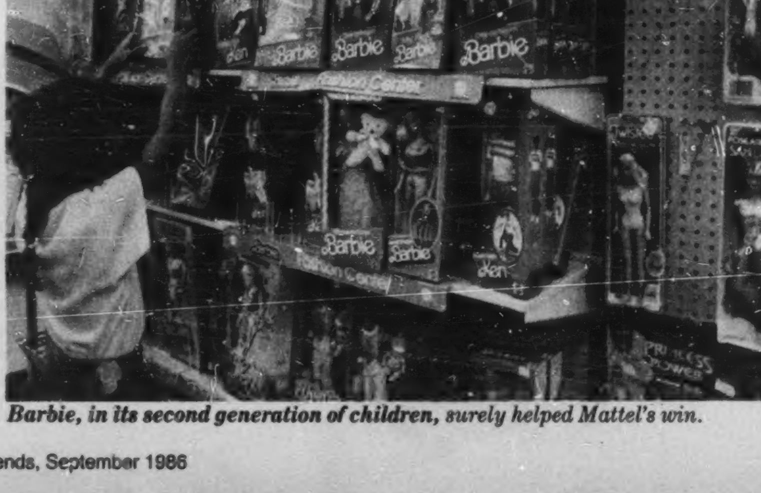
In the increasingly ephemeral business of toys, buyers have obviously come to value a little bit of consistency. That explains why they voted so convincingly for vendors like Mattel and Milton Bradley in categories where these resources have managed to succeed with enduring properties.

Nearly 58% of buyers selected Milton Bradley as their top resource in board games, while 42.3% chose Mattel as their best doll resource.

Board games: Milton Bradley has had many entries in the board game business, including its share of here-today, gone-tomorrow licensed board games. But what game can boast the 50-year popularity of Monopoly, still banned in the Soviet Union, after all this time? What is perhaps most telling about how buyers are feeling about the toy business these days is the strong rating Milton Bradley got in the good profit margins category.

By contrast, Selchow & Righter, which a few years ago had the most popular board game, Trivial Pursuit, did not receive any votes from buyers on good profit margins. In fact, although Selchow & Righter was mentioned by 24.2% of buyers as a resource that comes to mind, just 1.2% voted the company their best toy resource. That made Selchow & Righter third in top of mind awareness but last in total performance.

Parker Brothers, the No. 2 finisher in the board game category, had nearly as many total mentions as Milton Bradley but fewer votes as "best performer." Part of the rea-



Barbie, in its second generation of children, surely helped Mattel's win.

son was that, whereas profit margins proved one of Milton Bradley's strongest categories, Parker Brothers earned its lowest score in the good profit margins category.

What propelled Milton Bradley to its board game victory was the support of discount store buyers. More than 70% chose Milton Bradley their best resource. Parker Brothers, by contrast, split its vote between department store and discount store buyers. But even in the department store category Milton Bradley maintained a slight lead over Parker Brothers.

support came from department store buyers. Nearly 32% of them chose it as their top resource. What they obviously like about this line of nontelevision toys is the profitability. Madame Alexander scored higher than any other resource except Mattel on profit margins.

Plush Toys is another category feeling the pinch of declining profit margins as it turns toward licensed merchandise. Not surprisingly, the highest rated resources were those which specialize in generic plush. They displayed strength in the voting as profit margin producers.

tops in profitability, but No. 3 on the list was Animal Fair, which finished sixth overall in the voting for best resource. Mattel, tied for third overall, finished ninth in the voting for best profit margin producer, while both Kenner and Hasbro received no first place votes in the profit margin category.

Many of the licensed plush resources received their best ratings for their marketing support. Mattel and Coleco, for instance, finished second in consumer ad support, while Mattel led the way in co-op advertising. But the department store resources, Gund and Russ Berrie, easily outdistanced the field for on-time delivery.

Hasbro, Milton Bradley, Mattel runaway winners in four of five categories

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Action figures								
1. Hasbro	58.3%	73.3%	60.0%	50.0%	67.9%	50.0%	61.5%	58.6%
2. Mattel	37.8	63.3	24.0	45.5	28.6	57.7	46.2	27.6
3. LJN	12.8	26.7	20.0	13.6	7.1	15.4	7.7	13.8
Board games								
1. Milton Bradley	57.6	84.8	60.0	66.7	5.0	63.0	60.0	48.4
2. Parker Bros.	31.4	75.8	23.3	29.2	33.3	29.6	36.7	35.5
3. Pressman	9.9	12.1	10.0	4.2	10.0	18.5	3.3	12.9
Dolls								
1. Mattel	42.3	53.1	30.0	50.0	45.2	42.9	46.7	40.0
2. Coleco	17.1	59.4	13.3	15.4	16.1	21.4	20.0	16.7
3. Madame Alexander	13.1	18.8	16.7	3.8	16.1	10.7	13.3	16.7
Plush toys								
1. Gund	17.8	29.6	23.1	10.5	15.4	20.0	15.4	17.8
2. Russ Berrie	16.4	29.6	23.1	10.5	15.4	20.0	12.5	15.4
3. Applause	11.0	25.9	7.7	15.8	15.4	4.0	8.3	15.4
Mattel	11.0	22.2	3.8	21.1	7.7	12.0	16.7	7.7
Licensed figures								
1. Hasbro	51.2	69.7	45.0	55.6	47.8	55.0	56.5	47.8
2. Mattel	29.9	60.9	25.0	38.9	34.8	25.0	30.4	26.1
3. LJN	9.4	21.7	15.0	—	13.0	5.0	8.7	13.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Dolls: Barbie, now being enjoyed by its second generation of children, was undoubtedly one important reason why Mattel was a clear choice in the doll category, outdistancing second-place finisher Coleco by well over a two-to-one margin.

That Coleco was a distant second in a category in which it had the hottest property just two years ago is testament to just how unpredictable the toy business has become. While 60% of buyers, no doubt mindful of Cabbage Patch, mentioned Coleco as a resource in dolls, less than one-in-three of those buyers went on to vote Coleco as top resource.

Some buyers still say there is room for well-made unlicensed dolls. Madame Alexander, with a third place finish, 13% proved their point. All of Madame Alexander's

Supported predominantly by department store buyers, Gund and Russ Berrie easily outdistanced the likes of Mattel, with its Popples plush, and Hasbro, makers of Wuzzles plush figures. Gund was voted best overall by 36.8% of department store buyers; Russ Berrie got the top nod from 23.5% of department store buyers and 10.3% of discounters.

Other big vote getters among department store buyers were Dakin and Applause. By contrast, Mattel, Hasbro, Kenner and Coleco received no votes for best top performer from department store buyers. But Mattel was tops with discounters, garnering 20.5% of their votes as top resource. Coleco was second among discounters with 19.2% of votes.

Gund and Russ Berrie proved

Licensed figures: Outside the arena of plush, Hasbro actually made one of the most impressive showings in the toy category with its 51.2% score as best overall performer on licensed figures. Despite the proliferation of licenses in the last few years, the licensed figures category did not appear nearly as scattered as many other product areas tracked in the study. Buyers are clearly focusing their efforts on the biggest companies, those that can deliver the kind of marketing support necessary to make any kind of a splash with a character.

In all, only seven licensed figures resources were named with any degree of significance, and the "other" category, so strong in 14 of the product areas tracked by *Chain Store Age*, accounted for just 8.7% of first place mentions for best overall performance.

While Mattel and Hasbro, the two top licensed figure resources, scored with both department and discount store buyers, they did so in a contrasting manner. Hasbro was tops among discounters, getting almost 68% of their votes as top performer, while Mattel was tops with department store buyers, getting more than 40% of their votes. Hasbro showed the best crossover performance, also getting mentioned by 38% of department store buyers as a top resource.

If there was a dark-horse in the category it was certainly LJN, which finished third, no doubt in great part because of the success of its wrestling figurines in the past few years.

In action figures, Hasbro's score, a 58.3% rating as best overall, proved the biggest victory in the toy products studied by *CSA*. Here, too, in a category which is almost entirely licensed, the tendency of buyers to consolidate over the last several years was evident. Only five resources received any mention at all in the category of profit margins. Hasbro powered to a victory there with 60% of buyers choosing it for good profit margins. That was nearly three times the No. 2 finisher, Mattel.

Both Hasbro and Mattel proved extremely strong among department store and discount store buyers, which was the main reason they were able to outdistance the rest of the field. By contrast, Coleco only got half as many votes from department store buyers as it did from discounters. Kenner, while getting 11% of discounters to chose it as top resource, managed just 1.5% mentions from department stores.

Hasbro's rating of 58.3% as top resource was particularly notable because the brand was not the most frequently mentioned when buyers were asked to name a brand that comes to mind first. Mattel, with 83.3% total mentions, led in that category but had difficulty converting many of those mentions into votes for best performer. Coleco and Kenner had the same problem. Although both were mentioned by more than one-fourth of buyers as an action figure resource. They each managed just 7.1% scores as best overall performer. ☐

Minolta Maxxum-izes success

In the 35mm SLR category, Maxxum decisively won for profit margins, turnover rate and sell-through.

Canon and Minolta tied for first *in overall performance in 35mm SLRs.*

What can a little bit of innovation do for a brand? Just ask Minolta.

Relegated to runner up status in 35mm cameras, over the past several years, Minolta has found new life since the introduction of its line of autofocusing Maxxum cameras. In the *Chain Store Age* study, the success of the Maxxum was undoubtedly responsible for Minolta's first-place tie with Canon as top 35mm SLR resource.

The importance of the Maxxum line was obvious from the way Minolta scored on profit margins, leading all other resources on that measure. Minolta proved the top resource on two other key measures, turnover rate and sell-through.

With Maxxum, a relatively expensive mass market camera, leading the way, Minolta got the nod from 51% of department store buyers as a top resource. That was more than twice the number of votes department stores gave Canon.

By contrast, 48% of discounters voted Canon their best resource, compared to just 23.1% of discounters who chose Minolta. Third-place finisher Vivitar got the top nod from 17% of discount buyers but no department store merchants.

Perhaps the most "efficient" performer in the SLR category, considering its limited distribution, was Vivitar. Although mentioned by just 8.7% of buyers as a resource that comes to mind in SLRs, Vivitar picked up first place votes from 9% of those buyers. What did buyers like best about Vivitar? Its good profit margins and on time delivery.

35mm autofocus: In recent months, Kodak has made as big an impact in 35mm autofocus cameras as Minolta has made in SLRs since introduction of the Maxxum. Although it introduced its VR line of autofocusing cameras only last January, Kodak placed third in overall performance, gaining votes from 15.2% of buyers. Not surprisingly, Kodak scored well on support issues like delivery and sell-through, but only 12.5% of buyers voted the Kodak VR cameras tops in profit margins.

Canon and Minolta run neck and neck in the 35mm SLR race

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Disc cameras								
1. Kodak	82.4%	96.6%	67.9%	100.0%	78.6%	86.2%	93.1%	70.4%
2. Keystone	6.7	13.8	14.3	—	7.1	10.3	—	7.4
3. Ansco	6.7	17.2	10.7	—	10.7	6.9	3.4	7.4
35mm SLRs								
1. Canon	36.1	69.6	23.8	47.4	28.6	40.0	47.6	30.0
2. Minolta	36.1	47.8	38.1	36.8	38.1	30.0	38.1	35.0
3. Vivitar	9.8	8.7	9.5	10.5	9.5	10.0	4.8	10.0
35mm autofocus								
1. Canon	29.7	46.2	25.0	35.0	25.0	29.2	34.8	30.4
2. Minolta	26.1	50.0	20.8	35.0	25.0	20.8	30.4	26.1
3. Kodak	15.2	26.9	12.5	10.0	16.7	16.7	17.4	17.4
Binoculars								
1. Bushnell	44.2	50.0	38.9	50.0	44.4	33.3	50.0	50.0
2. Tasco	30.8	38.9	33.3	28.6	33.3	33.3	27.8	27.8
3. Panimax	5.8	5.6	5.6	7.1	5.6	5.6	5.6	5.6

Source: Chain Store Age/Leo J. Shapiro & Associates

What was probably most surprising about Kodak's finish in autofocus cameras is that nearly all of the brand's support came from department store buyers. Nearly 23% of department store merchants voted Kodak tops, while just 7.4% of discounters chose the VR cameras.

Canon easily outpaced the field when it came to support from discount store buyers, garnering 42.6% of their votes as top resource. Minolta continued to do well with department store buyers, getting twice as many votes from them as Canon did. But the biggest surprise may be that Nikon finished second in the discount store arena, getting top performer votes from 14.7% of discount buyers.

Within the past two years, as the autofocus camera boom has expanded, profits have gotten harder to come by, especially for the most recognized, heavily advertised brands. That was illustrated in the study by the way brands like Keystone, Vivitar, Ricoh and Pentax scored. Those four brands and Nikon together accounted for 38% of the first place votes in the good profit margin category.

PolaroidSpectraSystem
VR35

Kodak's VR35 earned its No. 3 rank with good grades in vendor support.

Disc cameras: Nearly every buyer mentioned Kodak when asked about disc cameras. Not surprisingly, Kodak achieved one of the highest overall scores in the *CSA* survey because of its domination of the disc camera market. Big Yellow did particularly well on issues like on-time support and consumer ad support.

But Kodak scored lowest on good profit margins among the characteristics studied, while profit margins proved the best category for two secondary brands, Keystone and Ansco.

Kodak could only have powered to that expected victory in disc cameras with support from both department store and discount store buyers, who voted in equal numbers for Kodak. Keystone got most of its support from discount store buyers, while Ansco won most of its votes from department store buyers.

Binoculars, like many other categories tracked by *CSA* in the top resource study, was dominated by brands that did especially well in one of two retail trade classes.

First place finisher Bushnell copped first place ballots from 63% of discounters, while Tasco got the nod from 47% of department store buyers.

What helped concentrate so much of the voting on these two top brands is that the binocular category remains relatively profitable, so there was no great need for buyers to abandon the top brands when asked which produced the best profit margins.

In fact, the top two so dominated the voting in this category that in only two instances did another brand score higher than 6%—Minolta (14.3%) and Panimax (7.1%) on co-op advertising.

The strength of the two top brands on turnover showed how far this category has come in the past two years. Once considered a slow-selling, high-ticket category, binoculars have benefited from a general increase in outdoor activities and the arrival of Halley's comet. As a result, both top brands did better on turnover than on most other measures tracked by *CSA*. □

Clear winners in stationery

Small vendors scored their best success in stationery, but the Big 3 ran away in greeting cards.

Perhaps the most telling fact about the way top resources performed in stationery was that in only one of four products studied did any vendor receive more than 40% brand awareness mentions. This, despite the fact that in the "companies mentioned" category buyers were encouraged to list several companies.

With no vendor dominating three of the four categories, it should not be surprising that buyers named 31 resources in stationery with any degree of statistical significance. Despite those numerous mentions, buyers still went on to mention so many smaller brands that in three of four products studied the "other" designation scored well enough to finish among the top three.

In the date book category, for instance, the study lists 11 brands and "other." In that category 54% of buyers mentioned an "other" brand as one that comes to mind, and 22.1% of buyers voted for one of those smaller brands as best performer. If "other" had been a brand it would have finished second in the date book category.

In desk accessories, the product category that claimed the greatest number of stationery vendors named, "other" resources still got mentioned by 28% of buyers and received 14.5% of votes for best performance. In partyware 24.1% of buyers mentioned smaller resources, and 17.6% voted for those "other" resources as best performer in the category.

Although in many of the product categories studied by *Chain Store Age*, department stores led the way in preferring smaller brands, there was no clear pattern in stationery.

In one category, date books, discount buyers actually accounted for the overwhelming number of votes given smaller resources. More than 41% of discount buyers voted for a resource in this category grouped in the "other" designation.

In desk accessories and partyware there proved more of a balance, with department store buyers generally favoring smaller resources just slightly more than discounters.

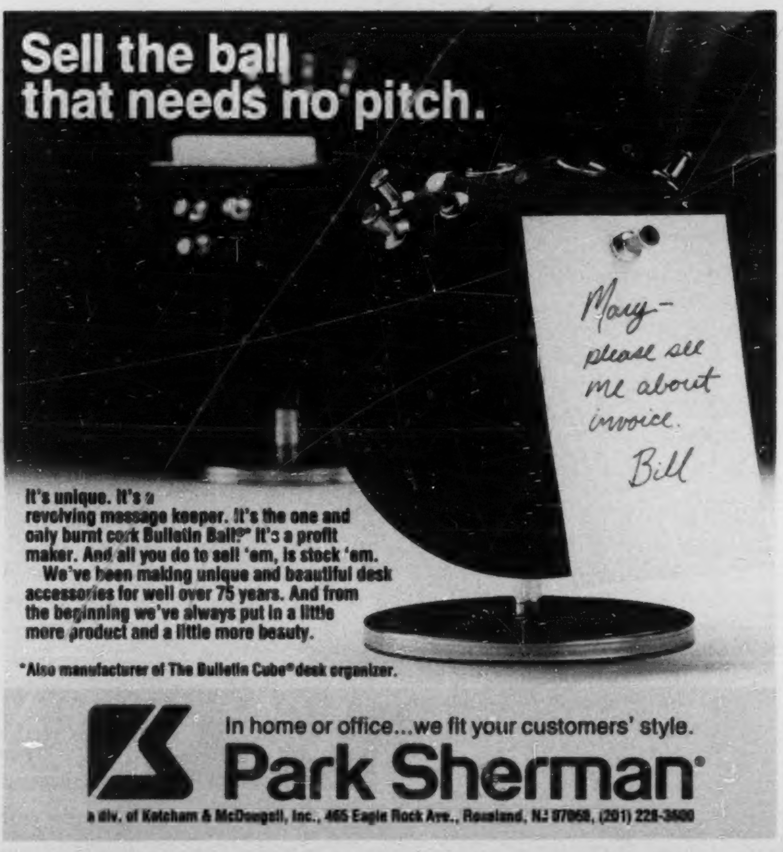
Greeting cards: The one product in which smaller resources did not play much of a role was greeting cards, where the strength of American Greetings, Gibson and Hallmark was apparent.

Notable about the way the three top brands performed in greeting cards, relative to one another, is that no brand dominated all of the measures studied.

For instance, the No. 2 overall finisher, Gibson, had its best showing in the area of profit margins, getting more than 40% of votes. But Gibson did, capturing only about half as many votes for sell-through. Not surprisingly, when it came to be judged on turnover rate, Gibson pretty much split the difference between its profit margin and sell-through scores.

The Big 3 dominated greeting cards, smaller resources were barely felt.

American Greetings came closest to dominating the voting in any one measure in this category with a 47.8% score in co-op advertising.



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Stationery dominated by Big 3; Gibson, Mead second in two categories each

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Greeting cards								
1. American Greetings	33.7%	52.6%	32.4%	47.8%	32.4%	27.8%	35.5%	31.3%
2. Gibson	28.5	55.3	40.5	21.7	29.4	30.6	22.6	21.9
3. Hallmark	21.8	57.9	18.9	13.0	20.6	22.2	32.3	21.9
Date books								
1. Shaeffer Eaton	27.1	28.6	24.0	29.4	26.9	25.0	36.4	28.0
2. Mead	17.1	14.3	16.0	23.5	15.4	16.7	17.4	16.0
3. Hallmark	6.4	14.3	4.0	5.9	3.8	8.3	13.0	4.0
Desk accessories								
1. Sterling Plastics	33.6	40.0	33.3	37.5	36.0	40.9	25.0	29.2
2. Mead	13.0	12.0	12.5	12.5	12.0	13.6	35.0	12.5
3. Blue Star	8.4	16.0	12.5	6.3	4.0	9.1	10.0	8.3
Partyware								
1. Hallmark	23.5	34.5	21.4	28.6	19.2	25.9	26.9	20.0
2. Gibson	18.3	34.5	21.4	19.0	15.4	22.2	15.4	16.0
3. American Greetings	15.7	20.7	14.3	19.0	15.4	14.8	15.4	16.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Perhaps not coincidentally, that proved the one category that hurt Hallmark the most. Only 13% of buyers named it for co-op ads. By contrast, Hallmark received about two and one-half the number of votes from buyers for its consumer ad support.

The key to Gibson's second place finish over Hallmark in greeting cards was Gibson's strength with both discount and department store buyers. The brand achieved about as well a balance as one could expect, getting a 28.1% score for best performance in the department store category and 28.9% among discounters. In both trade classes the brand finished second—to Hallmark among department store buyers and to American Greetings with discounters.

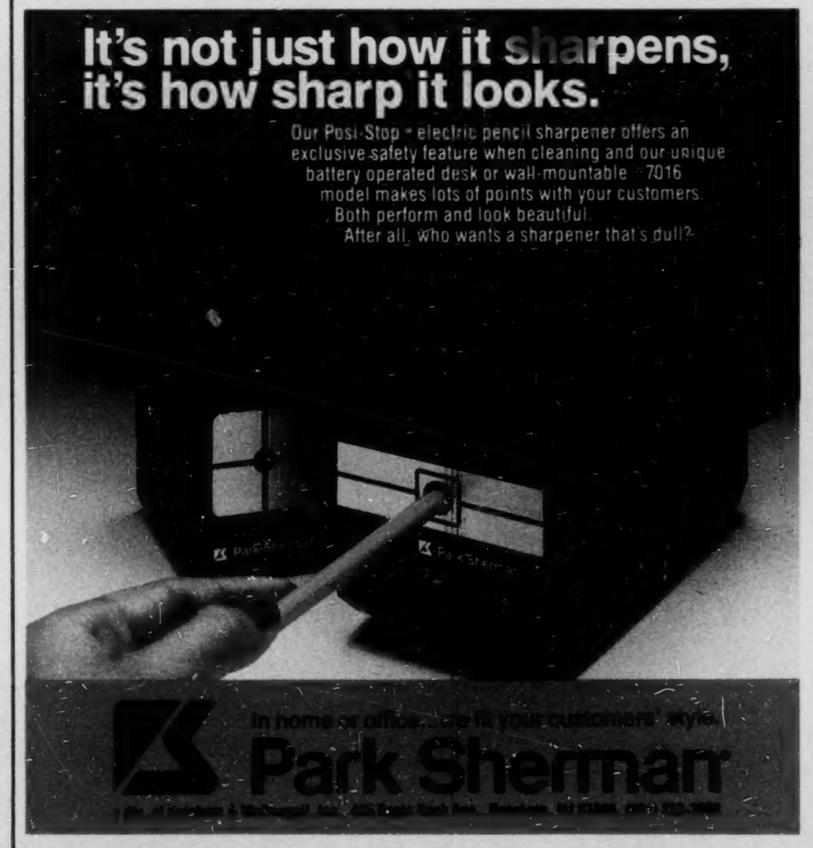
American Greetings dominated the discount segment, getting more than 60% of the vote, while Hallmark won votes from 37.5% of department stores as best performer. Ambassador ranked No. 3 for discounters. Recycled Paper Products came in third for department stores.

Date books: The shadow of small brands hung over date books, where only one resource got more than 20% of mentions as the best brand. The third finisher, Hallmark, had among the lowest scores of any No. 3 resource in any of the 40 products studied by *CSA*. Just 6.4% picked Hallmark.

What clearly proved a problem for most major brands in the date book category was turnover. "Other" brands there did as well as Shaeffer Eaton, the No. 1 finisher. Considering that kind of voting, it is not surprising that sell-through also proved a problem for most resources mentioned in the category.

No brand had a balanced rating among discounters and department store buyers. Shaeffer dominated the department store segment with 39% of those buyers voting for it, while Mead got the top nod for its date books from 31% of discounters.

Desk accessories: Sterling Plastics dominated the voting, getting more than twice as many votes for best performer as the No. 2 brand, Mead.


It's not just how it sharpens, it's how sharp it looks.

Our Posi-Stop™ electric pencil sharpener offers an exclusive safety feature when cleaning and our unique battery operated desk or wall-mountable #7016 model makes lots of points with your customers. Both perform and look beautiful.
After all, who wants a sharpener that's dull?

The Big 3 ran a close race, with American Greetings emerging the victor.

Sterling proved exclusively a discount brand; 55% of discount buyers voted for it. Mead also turned out to be exclusively a discount brand, getting 21.2% of discount buyers to name it top resource.

Blue Star was tops in the department store segment, getting 21.6% of buyers' votes. But the voting was spread out among department store buyers. Gibson, A&M and Shaeffer Eaton all got more than 15% of votes from department store buyers, while "other" brands received 19.6%.

Hallmark's strength in partyware was solely a function of its success among department store buyers, 46.2% of whom voted it their top resource. Only Gibson, with 19.2% of the votes, had any kind of presence beside Hallmark with department store buyers.

By contrast the No. 4 finisher, C. A. Reed, had the best overall score with discounters, capturing 25.3% of the vote. American Greetings was second with 24% of the vote, followed by Gibson, which once again showed the best balance between department store and discount store segments. Gibson received top votes from 17.3% of the discount buyers to go along with its 19.2% score with department stores.

Sell-through and turnover rate, two closely allied areas, proved most difficult for the top resources. In both measures the first two finishers achieved scores that fell well below their scores for overall performance in the partyware category. By contrast, sell-through and turnover rate proved two strong categories for smaller brands grouped in the "other" classification. That classification also scored extremely well on profit margins, equaling the scores achieved by Hallmark and Gibson. □

D. P. and Wilson big winners

Winning by huge margins, both resources earned top mentions by discount and dept. store buyers.

In category after category in the *Chain Store Age* Top Resources Study, the most dominant vendors proved to be those able to appeal to both discounters and department store buyers.

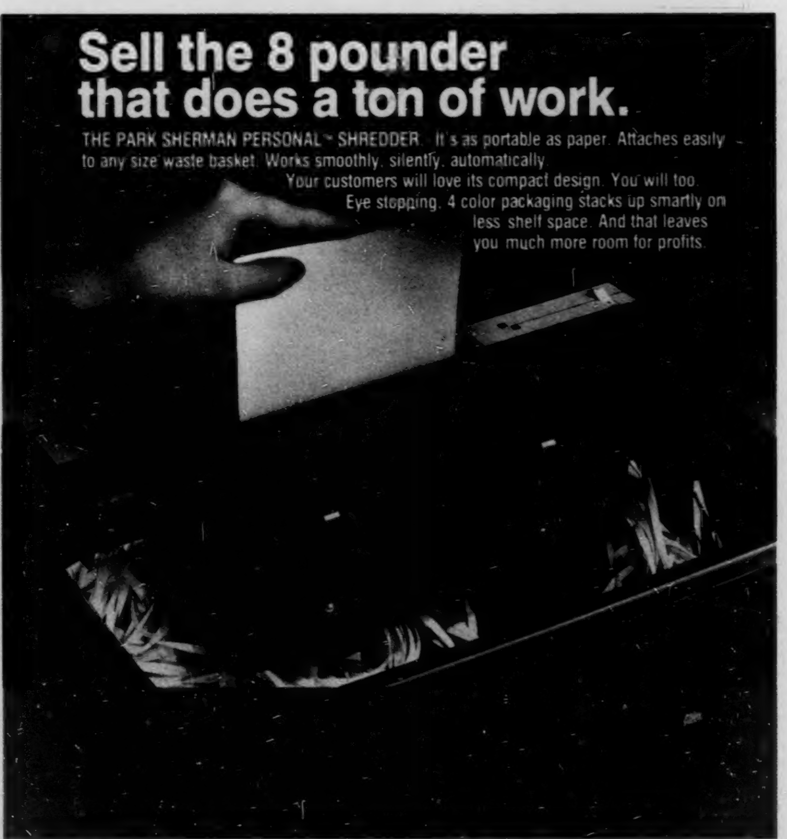
That proved true in sporting goods, where Wilson drove to a convincing victory in three categories by garnering support from both discounters and department stores. And, not surprisingly, in the one category, exercise equipment, where Wilson did not do well, it could get no support from discount buyers.

Consider the tennis racquet business. Wilson has long covered both ends of the market, going back to the days of its regular-sized Wood Advantage racquet, often priced as little as $50, to the Pro Staff line of graphite racquets today, which can retail for well over $200.

That kind of coverage of the market was clear from the fact that 75% of discount store buyers voted Wilson their top tennis racquet resource, while more than 48% of department store buyers selected it best performer.

By contrast Prince, which is recognized almost exclusively as a higher-priced line even though it has some basic racquets that can retail for about $60, got best performer votes from 24.1% of department store buyers but only 1.6% of discounters. Spalding also could get little support from discounters but got top votes from 27.8% of department store merchants.

Tennis balls: Wilson was almost



THE PARK SHERMAN PERSONAL™ SHREDDER. It's as portable as paper. Attaches easily to any size waste basket. Works smoothly, silently, automatically. Your customers will love its compact design. You will too. Eye stopping, 4 color packaging stacks up smartly on less shelf space. And that leaves you much more room for profits.

Wilson wins top honors for tennis balls, racquets and baseball gloves

Brand	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
Tennis racquets								
1. Wilson	62.7%	79.2%	60.0%	60.0%	61.9%	70.0%	61.9%	61.9%
2. Spalding	16.9	37.5	15.0	20.0	19.0	10.0	19.0	19.0
3. Prince	11.9	29.2	10.0	6.7	9.6	10.0	23.8	9.6
Tennis balls								
1. Wilson	56.3	73.5	50.0	54.2	54.8	58.1	62.5	56.3
2. Penn	28.4	52.9	23.1	25.0	35.5	35.5	18.8	31.3
3. Spalding	10.8	20.6	11.5	12.5	9.7	9.7	12.5	9.4
Baseball gloves								
1. Wilson	44.8	67.7	36.7	41.7	40.0	55.2	55.2	40.0
2. Regent	23.3	29.0	23.3	25.0	20.0	24.1	20.7	26.7
3. Spalding	18.0	38.7	16.7	16.7	20.0	17.2	20.7	16.7
Excercise equipment								
1. D.P.	44.5	59.1	45.0	50.0	30.0	36.9	57.1	36.9
2. Vitamaster	13.3	18.2	15.0	7.1	15.0	15.8	9.5	15.8
3. Ajay	8.0	31.8	5.0	14.3	5.0	15.8	14.3	5.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

as strong with buyers in the tennis ball market. Here again there wasn't much of a difference between what discount buyers felt and the way department store buyers voted. But then again that's not surprising because there really is no such thing as a "high-end" tennis ball. Wilson was voted top performer by 52% of discount buyers and 63% of department store buyers.

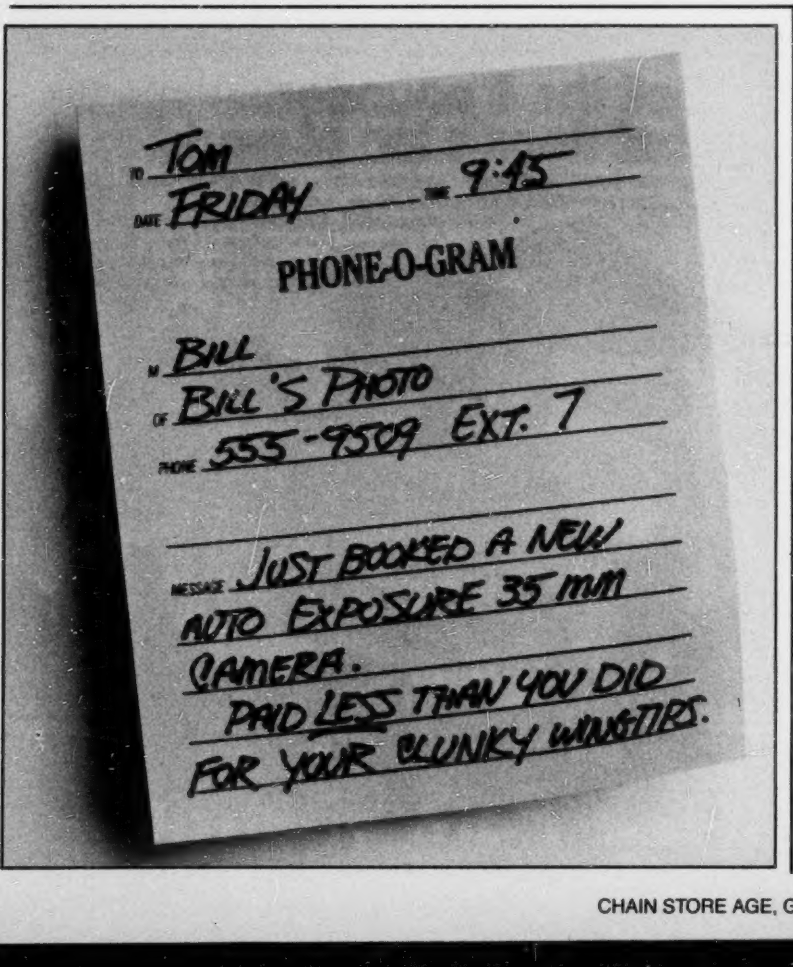
Penn got considerably more of its support from discount store buyers, 34% of whom voted its tennis balls the best performers. If there was one category that hurt Penn it was consumer ad support. Despite its 28.4% overall rating as best performer, only 18.8% of buyers chose the company as tops in consumer ads.

Baseball gloves: Wilson was also easily the top performer among both discounters and department stores in the baseball glove category. Wilson had more than twice the share of anyone else among department store buyers, with 55.4% of them voting for Wilson. The difference was much smaller in the discount store segment, where Wilson edged out Regent 38.3% of 31.8%.

Regent received the highest rating as best performer considering its limited distribution. Primarily a discount store line, Regent managed to get 23.3% of buyers to name it top performer despite the fact that only 29% mentioned it as a brand that comes to mind when they think of baseball gloves. That means that 7 of every 9 buyers that mentioned Regent went on to vote for it as their top performer.

By contrast, Rawlings was voted top performer by 15.1% of buyers even though 38.7% of buyers surveyed mentioned the brand when first quizzed about the category.

Exercise equipment represented the only category studied by *CSA* in which Wilson did not dominate. D.P., whose line of home gyms have become nearly omnipresent, was mentioned by nearly 70% of buyers and got first place votes from 42.5%. Once again it was a case of a strong crossover performance. D.P. got 40.4% of top performer votes from department stores and 44.0% from discounters.



TO TOM
DATE FRIDAY TIME 9:45
PHONE-O-GRAM
M BILL
OF BILL'S PHOTO
PHONE 555-9509 EXT. 7
MESSAGE JUST BOOKED A NEW AUTO EXPOSURE 35 mm CAMERA.
PAID LESS THAN YOU DID FOR YOUR CLUNKY WINGTIPS.

The only serious challenger to D.P. was Vitamaster, with first place votes from nearly 20% of department store buyers. But no discount store resource aside from D.P. captured more than 16% of buyers' votes.

Exercise equipment was one of those categories in which market share was so diffuse, after one gets past the No. 1 brand, that "other" became a major designation. The "other" category accounted for 18.6% of votes for best performer. The "other" category proved especially strong in on-time delivery, where those brands captured 26.3% of first place votes. ☐

"Other"-wise ignored[1]

Category	Total performance	Brand mentions	Good profit margins	Co-op ads	Turnover rate	On-time delivery	Consumer ad support	Sell-through
VCR tape	27.7%	35.5%	26.9%	30.6%	25.0%	28.6%	28.6%	27.6%
Televisions	15.3	35.5	29.6	8.7	20.7	17.2	7.1	7.4
Date books	22.1	53.6	20.0	17.6	26.9	20.8	21.7	24.0
Desk accessories	14.5	28.0	12.5	18.8	16.0	13.6	15.0	12.5
Partyware	17.6	24.1	21.4	14.3	19.2	14.8	15.4	20.0
Microwave ovens	20.0	25.0	19.0	21.1	19.0	18.2	23.8	19.0
Metal cookware	26.3	47.2	31.4	18.5	25.7	35.5	15.6	29.4
Cutlery	27.4	54.8	36.7	25.9	33.3	20.0	17.9	30.0
Clocks	41.0	47.6	42.9	43.8	33.3	45.0	36.8	45.0
Exercise equipment	18.6	31.8	15.0	21.4	15.0	26.3	14.3	21.1
Towels	12.8	18.9	11.1	11.1	17.1	15.6	10.3	11.4
Mini-blinds	34.5	41.2	40.0	28.6	40.0	28.6	28.6	40.0
Dolls	17.1	28.1	13.3	23.1	9.7	28.6	16.7	13.3
Plush toys	14.4	29.6	23.1	5.3	15.4	20.0	4.2	15.4

[1] Chart lists % buyers voting for "other" brands in listed categories.

Source: *Chain Store Age*/Leo J. Shapiro & Associates

An "other" story

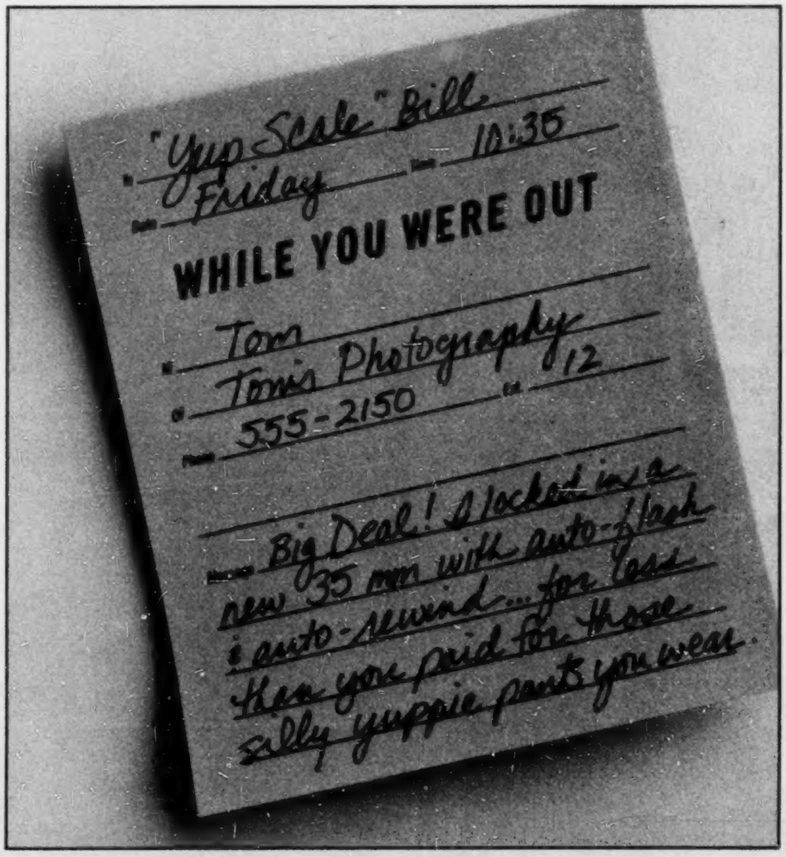
In some cases "other" brands outscored major vendors.

For most manufacturers, there is probably nothing quite so embarrassing as being grouped in the "other" category in market studies.

After all, to be one of the "other" means to be left out, or at least not sufficiently mentioned, because you are simply not big enough, or enough of a factor in that particular business. Put another way it means that you are not statistically significant.

Every once in a while, however, it seems safer, more comfortable, to wind up "other"-wise ignored, particularly in instances when retailers choose to vent their anger against national brands. In such cases, as when buyers rebel against the lack of profitability in video cassette tapes, the "other" brands as a group often wind up scoring better in key measures than well-known brands.

In the *Chain Store Age* Top Re-



"Yup Scale" Bill
10:35
Friday
WHILE YOU WERE OUT
Tom
Tom's Photography
12
555-2150
Big Deal! I locked in a new 35 mm with auto-flash & auto-rewind... for less than you paid for those silly yuppie pants you wear.

***"Other" towels received** 12.9% of the votes for total performance.*

sources Study, "other" brands as a group scored high enough in 14 of 40 categories to rank in the top three in those categories. In VCR tapes, for instance, 27.7% of the retailers picked a smaller resource as best performer. The combined "other" score actually came in ahead of 15 brands that received individual scores.

There are several reasons why "other" can prove so important a factor in some categories. In clocks, the category in which "other" scored the highest in the *CSA* study, receiving 41% of first place votes for overall performance, department store buyers led the way. Obviously unwilling to compete with discounters, drug stores and supermarkets on the most familiar names, department store buyers eschewed brand names like G.E. and Spartus in favor of a group of less well known, and hence less price sensitive, clocks.

Profitability, or a lack of it, is really the issue that runs throughout most categories in which "other" does so well. Looking at the good profit margins category on the accompanying "other" chart, it becomes obvious that "other" brands scored as well on that measure as on any other measure of performance tracked by the study. ☐

Kodak's dubious honor

Surprisingly, some buyers named the nonexistent Kodak 35mm SLR as best overall performer.

Imagine that one year at the Academy Award ceremonies the presenter of the best actor Oscar opened the envelope from Price Waterhouse and found it contained the name of someone who hadn't even been nominated.

What if the members of the Academy, in their confusion, ignorance, or just out of a sense of nostalgia, had voted for an actor who might have done some wonderful work once but hadn't even made a picture that year? The Academy might have to create a new award, "best performance by someone not even participating in the category."

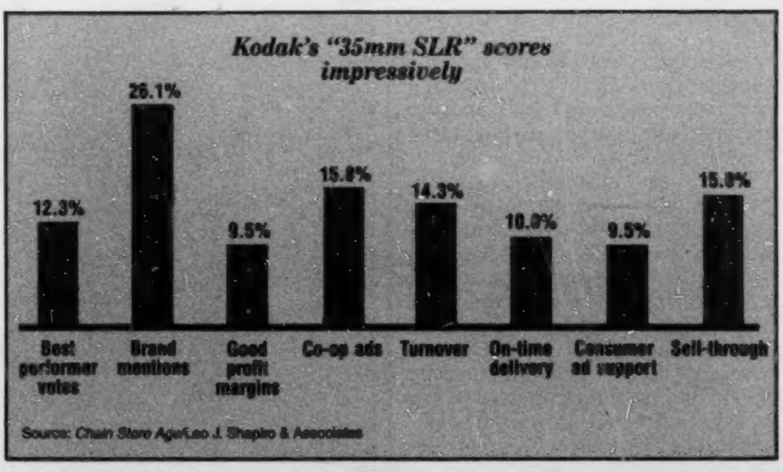
As absurd as this scenario seems, it is somewhat analagous to what happened when buyers in the *Chain Store Age* Top Resources Study were asked about the 35mm single lens-reflex business. More than 26% of the buyers surveyed said that Kodak was a brand that came to mind when they thought of 35mm SLRs. And 12.3% rated the Kodak SLR the best overall performer in the category.

The problem, of course, is that Kodak does not make a 35mm SLR and has not for years.

Of course, Big Yellow so thoroughly dominates some segments of the photo business that it is not unusual for people to get confused about just exactly where the company shines and where it doesn't even bother to compete. In *CSA* MarkeTrends studies, about 6% of consumers consistently say they recently bought a Kodak 35mm SLR.

But that is confusion among *consumers*. Buyers should presumably know better, especially in a poll that goes beyond simple brand recall and asks specific questions about product performance. For instance, what were 10% of the buyers thinking when they rated the Kodak 35mm SLR their best gross margin item in the category? Did they confuse SLR cameras with autofocus cameras? If they did, it is understandable but hardly excusable. ☐

Kodak's "35mm SLR" scores impressively



Source: *Chain Store Age*/Leo J. Shapiro & Associates

An instant replay in the works?

When Polaroid introduced its new Spectra line of instant cameras, industry pundits greeted the debut with a collective yawn. Everyone knew that the market for instants was shrinking. But Polaroid may yet have the last laugh, as the latest *Chain Store Age* MarkeTrends poll is showing the highest consumer interest in instant cameras recorded over the last five years.

Asked what type of film their next camera would use if they were to buy one, 19.1% in the survey report that it would use instant film. This represents a doubling of the number recorded only a year ago and is about equal to levels of five years ago.

The big losers according to the latest study, are disc cameras, the choice of only 9% of households. Over the last three years, the number of households reporting that they will buy a disc camera has fallen by about one-half. Readings for cartridge film cameras are equal to last year's readings.

For 35mm cameras, the *CSA* MarkeTrends poll shows a slight uptick in customer interest, with 42.9% saying their next camera would use 35mm film. Of those who choose the 35mm format, 52% report that they will buy a single lens reflex camera.

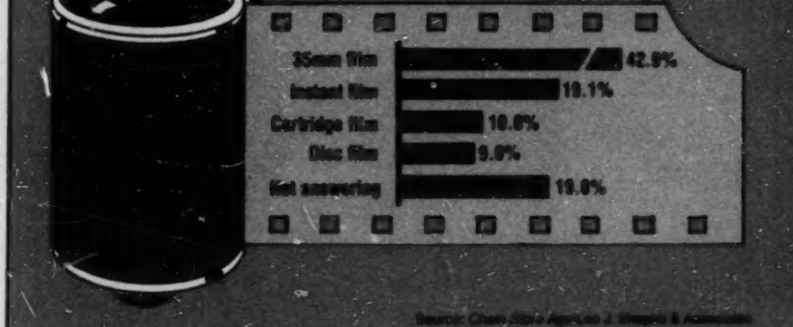
Though SLR sales have lagged behind lens shutter unit volume for the last two years, the survey suggests that the long awaited step up process may finally be ready to appear.

Of those interested in a 35mm camera, 58% are not current 35mm users. And of those who currently own a 35mm camera, 2 out of 3 report that their next camera will be an SLR.

This suggests a solution to a problem which has plagued the industry for several years. While customers have responded favorably to the introduction of automated features in single lens reflex cameras, such as Minolta's Maxxum and Nikon's 2020, the increased customer interest has not grown the market for SLRs themselves.

However, customers in the most recent survey give every indication of first moving up to 35mm lens shutter cameras and then SLRs.

If you were going to get a camera, would it use . . .



Source: Chain Store Age/Leo J. Shapiro & Associates

than say nonowners who do expect to buy.

Presumably, the industry's strong price competition—sometimes to the point of downright unprofitability—has passed the attention of this group. For once, there actually may be some justification for low price oriented advertising to bring more 35mm nonowners into the fold.

The study further implies that advertising geared to promoting camera features—rather than photographs themselves—has finally come of age.

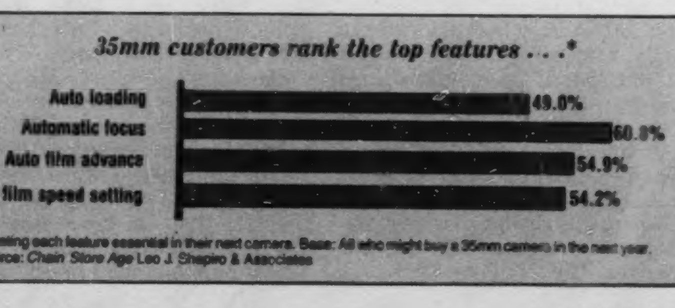
Camera stores, according to the survey, are still the place where the greatest number of consumers expect to buy their next 35mm camera. In the poll, 41.3% report that camera stores are the outlet of choice.

Discount stores, however, are carving out a significant piece of the 35mm market, as are catalog showrooms and department stores. Of those who think they will buy a 35mm camera within the next year, 17.8% report they will buy at a discount store (9.3% say they will make their purchase at K mart). According to the survey, 11.3% say they will buy at catalog showrooms, and 9.6% choose department stores.

Among respondents who say there is some chance that they will buy a camera in the next year, Canon, named by 27.9% in the poll, is the brand most frequently mentioned as the maker of the camera they might purchase. Following are Minolta (20.9%), Nikon (13.2%), Kodak (10.4%) and Pentax (6.4%).

The potential customer's choice of a camera brand, however, changes when the survey's respondents are divided into current 35mm owners and those who are buying a 35mm camera for the first time. Among nonowners, Canon and Minolta run a dead heat, but current 35mm camera users choose Canon by a 3 to 2 margin. Kodak's votes, meanwhile, come almost exclusively from those who do not yet own a 35mm camera. ☐

*35mm customers rank the top features . . .**



*rating each feature essential in their next camera. Base: All who might buy a 35mm camera in the next year.
Source: *Chain Store Age* Leo J. Shapiro & Associates

A Colorcraft consumer survey suggests that traditional turnaround times may actually produce greater contributions to overall store sales.

Discounters explore one-hour labs

Picture Perfect Film Developin
Twin Prints
Single Prin
CUSTOM35

***Mass merchants are** cautiously exploring one-hour photofinishing.*

Little demand for 1-hour processing?

What time span do you consider most reasonable and acceptable to have your film processed?

	% of households		
Time	**1985**	**1983**	**1981**
1-hour	1.4	NA	NA
1-3 hours	2.9	0.9	NA
Same day/3 + hours	3.0	1.3	0.5
Next day	18.3	9.9	5.0
2 days	22.0	18.8	11.6
3-6 days	40.9	29.8	30.1
One week or more	9.7	37.7	49.8
No answer	1.8	1.6	3.1

Source: Photo Marketing Association

Manufacturers of photo processing minilab systems are quick to cite one of retailing's oldest axioms: the longer the customer is in the store, the more the customer spends.

One-hour, in-store photo finishing gives the customer a reason to shop the store for an additional hour, say minilab manufacturers. In addition to increased margins retailers can gain from offering a premium service, there are further opportunities for sales in other parts of the store. For now, mass merchants are cautiously exploring the concept.

Though K mart operates minilabs in some 60 areas around the country, the discounter does not offer one-hour, or even same-day, service. Rather, K mart uses its minilabs as smaller in-house labs and provides its usual turnaround time.

Sears does operate three minilabs with true one-hour service in Hawaii, but considers its operation there geared entirely to the tourist trade.

For the most part, chain retailers seem content either to outlab photo finishing or to maintain their own centralized processing labs. Wal-Mart, Gemco and Fedco all still operate their own finishing facilities.

"Food retailers have been more visionary in their willingness to do these things," says Fuji consumer products vp Carl Chapman.

What about those add-on sales while the customer shops the store while waiting for her prints? They just may not be there. Though there is no conclusive evidence, a consumer study conducted by Colorcraft last year casts doubt on the accepted wisdom.

The Colorcraft survey, conducted at the request of an unidentified East Coast drug chain, turned up at least one startling result. The study revealed that when the photo customer picked up her prints in the same day, she spent an additional $10.82 in the drug store.

However, when the customer waited two days or longer before picking up finished prints, the additional sales generated from the processing service increased to $28.24. Faster processing service, the study suggests, actually reduces photo processing's contribution to overall store sales.

And while it is undeniable that consumers expect faster processing turnaround than they did even five years ago, the majority of customers (72.6%, according to the 1985 Photo Marketing Association's consumer survey), still find two days or more reasonable and acceptable.

According to the same study, discount store customers rank price as more important in choosing an outlet for film processing. The discount store processing customer may not be willing to pay a premium price for faster service.

But the minilab manufacturers knew all along that the mass market retailers would be a tough sell. KIS is targeting camera stores, photo studios and nonchain food retailers as its prime sales prospects this year. Recently, however, it has added a national account sales staff to go after the largest chains.

Eastman Kodak, which began shipping its two minilab systems over the summer, has also had its troubles cracking the mass merchant market. Big Yellow has targeted camera stores, chain drug stores and the mass merchant as its best prospects, but so far reports its highest success has come from camera stores.

The objection most frequently cited by mass merchant buyers, says Kodak director of retail photo finishing John Shimshack, is the rapid turnover of discount store personnel.

Even the most automated of minilabs requires experienced operators to judge density correction and color classification. Shimshack says that mass merchants fear their rapid labor turnover would leave them without experienced minilab operators. Kodak and Copal, among others, are addressing this problem through extensive ongoing training programs. ☐

No discounts, no selling on ad, no markdowns and good return policies have provided drug stores, discounters and supermarkets the means to expand market share.

Greeting cards go mass merchant

Discounters, drug stores and supermarkets total 54.5% of 1985 card sales.

High gross margins (approximately 50%), fast turns (five to six times annually), and no warehousing of stock are just a few factors that help make greeting cards an attractive category for retailers. It is no small wonder discounters and variety stores have been beefing up their greeting card departments over the past five years.

"You don't have to discount them," says Kent Schreake, greeting cards buyer for Jack's Discount Stores. Mars greeting cards buyer Dick Padelford adds, "It's the kind of program where things don't go out of style . . . no markdowns and the companies take back damaged and unsold goods. . . . You also don't have to sell on ad."

But discounters and variety stores aren't the only mass merchants discovering the easy money in cards. Drug stores and supermarkets have been vying for the business also, leaving industry sources speculating as to future profitability of the category. Some predict widespread price-cutting though the majority anticipate retailers will compete by negotiating better deals with suppliers, adding alternative card lines and strengthening other product classifications such as stationery, wrapping paper and party goods.

Currently, the Big 3 greeting card suppliers (Hallmark, American Greetings and Gibson) plan assortments with store buyers, maintain stocks and provide store fixtures. All these services help lower the overhead of the department for the retailer, increasing profit.

As much as 85% of greeting cards $3.4 billion sales come from the Big 3 vendors. Hallmark accounts for approximately 45% to 50% of the business, American Greetings for about 25% to 30% and Gibson for 5% to 10%.

The remaining portion of the sales is divided among hundreds of small companies that provide specialized lines aimed at market niches such as divorcees, single parents and ethnic and religious groups. Retailers say these lines must be very creative and unique in order for them to gain space in the stores since these smaller companies cannot offer the services the Big 3 provide.

Alternative cards are becoming more popular as demographics change, note industry experts. Greeting Cards Association exec. vp Marianne McDermott says that today's card buyer is better educated, more sophisticated and demands a wider variety of cards to reflect new lifestyles. People are moving more (leaving old friends behind) and there is an increase in two-income families and working women, providing new opportunities for the card manufacturers. Additionally, the creation of nonoccasion cards have opened up another new market.

Not wanting to miss the boat, American Greetings and Hallmark have introduced new programs. American Greetings' In Touch and Hallmark's Shoebox Greetings lines both feature nonoccasion cards that express such sentiments as appreciation, support and celebration.

Jeff Jones, exec. director of national markets for American Greetings, says, the In Touch line has been very successful. He notes that although 90% of all cards are bought by women, this line has strong appeal with men.

But despite American Greetings' and Hallmark's entries into this market, the Big 3 card companies are feeling pressure indirectly from the alternatives. Retailers are cutting better deals with the card kings by playing one company off of another.

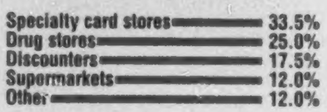
For example, one source says that several retailers negotiated new fixtures in all of their stores at once, rather than the traditional updating of a few different stores every few years. Additionally, some merchants are asking for better dating and return policies.

Even so, the discounters and variety stores face stiff competition. As more and more retailers aggressively go after the business, the mature industry (which has held unit sales rather steady at the seven billion mark for the past few years) gets divided into smaller and smaller pieces.

Although discounters have rapidly increased market share over the past five years, drug stores and supermarkets have also kept pace with them. *Chain Store Age* estimates that more than half of all cards sold in 1985 were bought at a mass merchant (discounter, drug store and supermarket) while only one-third was bought at a specialty store. (See chart.) This compares to nearly two-thirds of all cards sold through specialty stores in 1978.

The reason for the mass merchant spurt is that their customer profile fits in nicely with the card shoppers'. According to the Greeting Card Association, the majority of card shoppers are women between 35 and 54 years old. These retail outlets—mass merchants—attract this customer for other items and then capture her card purchases as add-on sales.

Mass merchants move the most cards



Source: *Chain Store Age research*

Mars buyer Dick Padelford says, "The average customer doesn't say 'I need a card. I've got to go to X store.' It's more of a matter of convenience. We—mass merchants—have terrific traffic."

Location and selection are the keys. Jack's Discount Store buyer Kent Schreake says, "You have got to get them up front where people can see them. They're impulse items."

Ambassador's corporate product director Buddy Jones agrees. He notes, "In mass channels, the challenge is directing traffic to cards. Mass merchant customers are not browsers. They want to get in quickly and get out. Displays have to be laid out."

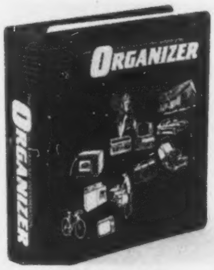
"Signing is extremely important," he continues. "You have got to make it easy for customers to find the right card."

A strong greetings card department could turn cards from impulse sales into planned purchases, concludes Jeff Jones of American Greetings. ☐

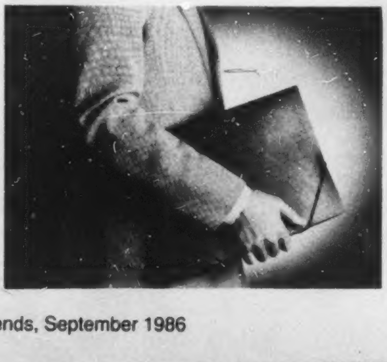
Western Publishing has added two new video categories to its Golden Book Video line: Golden Book Music Video and Golden Book Step Ahead Video. Golden Book Music Videos feature 10 favorite children's songs combined with high quality, full-color illustrations on each 30 minute video cassette. *(Western Publishing Co. Inc., 1220 Mound Ave., Racine, Wis. 53404.)*

New and back-list Read-Alongs, one of the hottest categories in book and audio publishing today, and songs for children from around the world are being introduced this fall by Caedmon. Subjects include: *Sandy's World Sing and Read-Alongs, Funny Bone Poems Read-Alongs, Read-Alongs by Beatrix Potter, Romper Room Sing and Read-Alongs* as well as others. *(Caedmon, 1995 Broadway, New York, N.Y. 10023.)*

The Household Information Organizer is a new bookshelf filing system to protect owner's manuals, warranties, insurance papers and other documents. The Organizer includes six section dividers plus 35 rugged clear-poly filing pockets. It is designed to hold 70 items up to 8½ in. by 11 in. in size without hole punching. *(Cornwall Products Co., P.O. Box 9283, Dept. 819, Madison, Wis. 53715.)*



ACCO International Inc. has announced the Action Case. Made of virtually indestructible, waterproof ACCOHIDE, the good-looking Action Case won't rip, crack or tear. It is perfect for use as an attache, a storage case for record-keeping or as the ideal project file. *(ACCO Int'l. Inc., 770 S. Acco Plaza, Wheeling, Ill. 60090.)*



An increasing demand for love cards for black consumers prompted Hallmark's "Expression of Love." The 16-card promotion features photos using black models. Eight of the cards, which retail for $1.50 each, feature popular vinyl overlays. *(Hallmark Cards Inc., P.O. Box 419580, Kansas City, Mo. 64141-6580.)*

July sales gain good, possibly deceptive

The 17 companies tracked by *Chain Store Age* recorded a combined 12.6% sales increase in July, the highest year-to-year comparison in the current fiscal year. For the six-month period, combined sales are up 9.6%.

But the sales gains could prove deceptive and provide little indication of the true direction the fall season will take. Seasonal clearances are the norm in July, and sales upticks can easily be read either as warning signs or as signs of clear sailing ahead.

"July can be a deceptive sales month," says Rothschild, Unterberg, Towbin retail analyst Bernard Sosnick, "because big gains can mean heavy promotions and problems, while small gains may point toward business having been done at a steady profit rate."

At J. C. Penney sales in July gained only 3.4%, and are running 6.2% ahead for the first six months. In the most recent quarter, however, Penney has turned its modest sales gains into a 53% profit increase. For the first half, profits are ahead 36%.

Sears, the nation's largest retailer, recorded a 6.1% sales increase for its U.S. Merchandising Group in July, the biggest gain since August 1984. The Chicago-based merchant reported sales strongest in the East and Midwest, with home fashion, appliances and home improvement departments showing the highest increases. Unusually hot weather across the nation spurred sales of air-conditioners and fans to their greatest sales volume in over two years, Sears said.

The country's second largest retailer reported volume was strong across every major department. Comparable-store results were up 14.8% in July at K mart stores, and for the six-month period are running 5.4% ahead of 1985 levels.

"The consumer responded readily to our merchandising and promotional programs during the period, pushing sales above plan," said K mart chairman Bernard Fauber. "As a result, we anticipate second-quarter profits to meet management's expectations," he said.

As a rule, discount stores recorded greater sales gains than did department stores in July. At St. Louis-based May Co., its Venture discount division reported a 9.7% comparable-store gain for the month, compared to a 5.3% store-for-store increase in its department store divisions.

At Dayton Hudson, Target recorded a 9% overall monthly gain, compared to a 4% increase at Dayton Hudson department stores. On a comparable-store basis, however, both turned in equal sales gains of 4%. Mervyn's reported sales for the month up 16% overall and 10% store-for-store.

"We are encouraged by the tone of business in July," said Dayton Hudson chairman/ceo Kenneth Macke, "Our sales increases for the month exceeded our year-to-date pace for the first time this year."

Elsewhere, Carter Hawley Hale department stores picked up at least a little speed in July, with comparable-store results gaining 1.9%. For the year to date, however, comparative stores are running only equal with last year's performance. The company's specialty store divisions, which include Bergdorf's, Neiman Marcus and Contempo Casuals, recorded same store results up 2.7% in July and 6.4% for the six-month period.

Among the electronics specialists, Tandy reported sales increased 7% at U.S. stores in operation for more than one year. Richmond, Va.-based Circuit City Stores recorded a 19% same-store gain.

Markdowns mar July sales

		July sales*		Stores		6-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,2]	+ 6.1	$1,976,636	$1,863,374	800	796	$12,116,032	$11,860,246	+ 2.2
Penney[2]	+ 3.4	830,000	803,000	1,878	1,986	5,685,000	5,352,000	+ 6.2
Ward[1,3]	+ 4.5	306,300	293,200	290	319	1,870,300	1,877,600	− 0.4
Dayton Hudson	+ 12.0	627,400	561,300	1,216	1,168	4,058,700	3,678,400	+ 10.0
Federated[4]	+ 4.1	509,000	489,000	486	469	3,667,700	3,521,100	+ 4.2
May Dept. Stores	+ 13.4	338,900	298,800	2,270	1,967	2,400,000	2,160,000	+ 11.5
Associated Dry Goods	+ 8.4	270,600	249,600	N/A	N/A	2,007,000	1,883,000	+ 6.6
Allied Stores	+ 6.3	249,200	234,500	673	627	1,900,200	1,772,000	+ 7.2
Carter Hawley Hale	+ 5.0	257,300	245,100	304	283	1,757,600	1,677,400	+ 4.8
Mercantile	+ 4.3	129,467	124,101	80	79	872,434	811,721	+ 7.5
K mart[5]	+ 16.0	1,694,700	1,458,700	2,183	2,173	10,748,300	10,063,800	+ 6.8
Wal-Mart	+ 41.0	900,000	640,000	952	804	5,114,000	3,590,000	+ 42.0
Zayre	+ 31.0	339,600	259,000	1,026	911	2,285,000	1,727,600	+ 32.0
Bradlees	+ 14.0	109,000	96,000	156	150	779,000	622,000	+ 25.0
Tandy	+ 20.6	259,996	215,516	N/A	N/A	1,514,449	1,309,701	+ 15.6
Circuit City	+ 48.6	74,000	49,800	90	97	357,700	260,200	+ 37.5
Federated Group	+ 13.9	27,000	23,700	60	48	184,900	147,600	+ 25.3
Totals & Averages	+ 12.6	$8,899,099	$7,904,691	—	—	$57,318,315	$52,314,368	+ 9.6

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only.

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Textiles pay their way at Bullock's

K mart's new pres.

Chain Store Age

GENERAL MERCHANDISE TRENDS OCTOBER 1986

RETAILING AND RELIGION

Evangelical products flow into the mainstream

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TWO DOLLARS PER ISSUE

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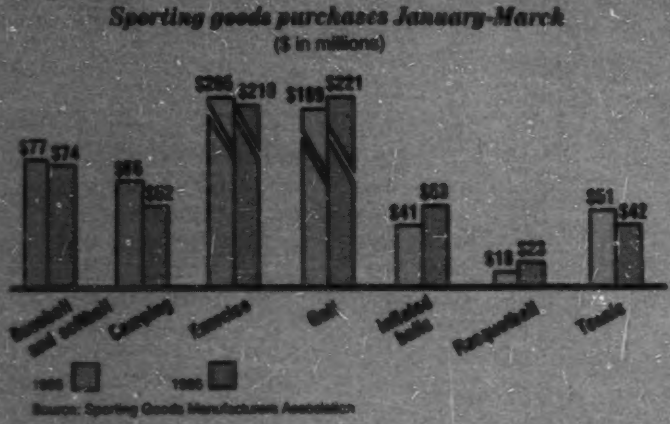
Golf moves to the fore

The exercise craze has not sputtered to a stop, but according to the Sporting Goods Manufacturers Association (SGMA), customers are buying less exercise equipment and are opting instead for golf gear, racquetball equipment and tossing around the old football.

In the SGMA's analysis of sales trends in the first quarter of 1986, sales of exercise equipment fell 21% from $265 million in 1985's first three months to $210 million for the same period this year. Also logging significant decreases were camping equipment (−21%) and tennis equipment (−20%).



Source: Sporting Goods Manufacturers Association

The big gainer in the first quarter was golf equipment, rising 31% over last year's figures, according to the SGMA. In the first three months golf gear raced to sales of $221 million, compared to $169 million in 1985.

Total sporting goods retail sales (excluding recreational transport and snow ski equipment) were $2.53 billion for the first quarter, according to the SGMA.

Other leading product categories for the first quarter were bicycles ($169 million), fishing tackle ($112.3 million), firearms and ammunition ($108 million) and water sports/recreation ($107 million).

Bullock's tablecloth 'thriller'

Singer Michael Jackson might make do with one glove, but when it comes to cloth napkins, he wants a matched set. For Bullock's, a department store chain that prides itself on service, that created a recent fuss.

Jackson wandered into Bullock's Sherman Oaks, Calif., branch looking for a tablecloth and napkins. The rocker was planning to host a formal dinner and needed linens ASAP.

He was shown a few tablecloths but kept asking to see something more expensive. The sales associate on duty (one of Bullock's finest, says a buyer) gladly led him up the line.

The star finally settled on a large lace cloth priced in the neighborhood of $200. Trouble came with the matching napkins. The Sherman Oaks store had only a few. Jackson needed eight.

But Bullock's promises service, and it means it. To save time the sales associate leaped into her car and tore off to another nearby Bullock's branch. There she bought the missing napkins herself, returning them at Sherman Oaks so they could be resold.

Dept. stores are efficient

Service is this year's retailing buzz word, but department stores may already be doing a better job than many suspect. According to a 5,000 household consumer survey conducted by The Conference Board, department stores get high marks for efficiency.

The New York research firm's findings show only supermarkets and banks getting higher rankings. In the poll, 38% of households say that department stores are highly or very highly efficient. Fifty-one per cent rank supermarkets high or very high, while 48% score banks similarly.

In the Conference Board survey, department stores outrank police, the post office, airlines, the Pentagon and Congress.

*Department stores get high marks for efficiency**

Supermarkets	51%
Banks	48
Department stores	38
Credit card companies	34
Insurance companies	33
Electric utilities	30
Police	29
Airlines	29
Post office	28
Business	26
The press	22
Public schools	21
Space agency	19
Local transport	17
Commuter rail	12
Trade unions	12
Pentagon	10
Congress	8

*% saying high or very high efficiency
Source: The Conference Board

Correction

Monopoly is a product of Parker Brothers. The September issue of *Chain Store Age* incorrectly identified Milton Bradley as the maker of the venerable board game.

Promotions lead to inflated sales

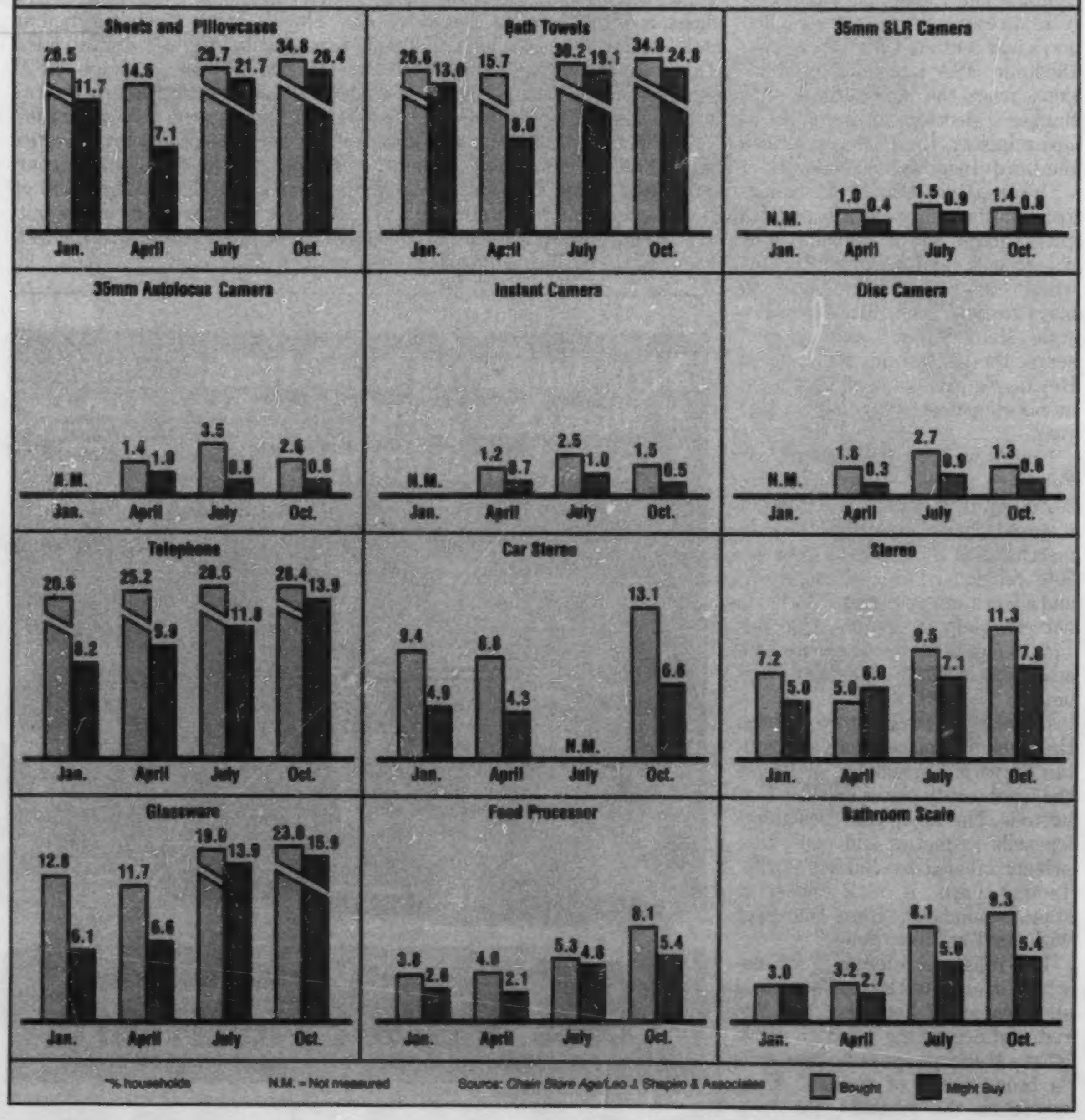
Blame the customer is becoming a popular game among retailers. Many merchants, lamenting the year's modest sales growth, have found it easy to place blame for sometimes sluggish sales on the customer's tight-fisted grip on her wallet.

Though profits for most are generally looking good, primarily due to a better mix of apparel sales, the latest *Chain Store Age* MarkeTrends poll suggests that some home store profits are—perhaps needlessly—being promoted away.

Bath towels are now subject to nearly constant, year-round promotions. Many merchants are using towels as loss leaders, and according to the *CSA* MarkeTrends poll, customers are responding. Since January, the number of households reporting they have bought bath towels within the last 12 months has jumped 31%. The number who say they expect to buy towels in the next year is ahead 126%.

However, the question again is profitability, and whether or not giving away the store's hottest selling merchandise is a prudent long term strategy. In the *CSA* MarkeTrends survey, customer intent to buy glassware, another highly price

*1986 Consumer Buying Survey**



*% households

N.M. = Not measured

Source: *Chain Store Age*/Leo J. Shapiro & Associates

ONCE IS NOT ENOUGH IN FOOD

PROCESSORS

Though interest in first-ever food processors flags, the replacement market for this product is surprisingly active. Compacts spark interest.

***Sales opportunities multiply** with experienced users—households already owning a food processor.*

The world is divided into people who want standard-sized food processors and those who prefer compacts, according to *Chain Store Age* MarkeTrends research.

And it is not such a small world, after all. Although few consumers are interested in buying a first ever food processor, the replacement/supplemental market for this product is surprisingly active. A second processor is included in many household's plans for the next 12 months. However, those plans are not firm.

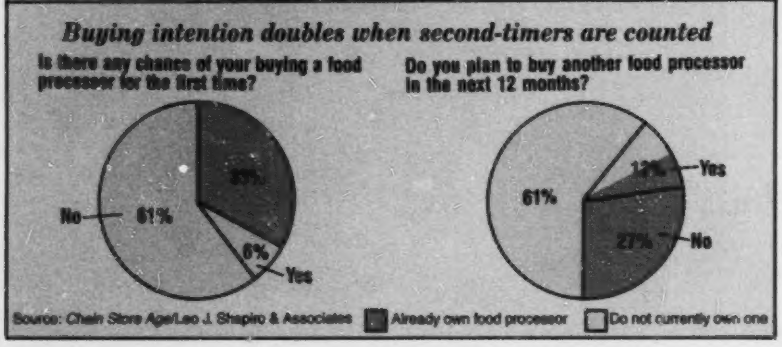
The survey found one-third of all households already owning a food processor. The remaining two-thirds appear to be hard-core refusers. Nearly 92% of the food processor-deficient households said they have no intention of buying the device in the coming year.

Interest appears linked to income, with the negative households much more likely to earn under $20,000 than either current or prospective owners.

It is well known that the market for this product peaked in 1981, when 3.2 million units were sold. Last year, the number had declined to 2.5 million.

But the recent entrenchment of Sunbeam's downsized Oskar could continue to revive interest, according to various indicators in the *CSA* MarkeTrends results. It is also likely that interest in compacts will grow as Oskar clones hit store shelves. Following Equity Industries' May victory in an unfair trade practices suit brought by Sunbeam, the way was cleared for Oskar lookalikes. The Christmas buying season will offer consumers pint-sized models from Equity, Hamilton Beach, Robeson, West Bend and Black & Decker. Retailers look forward to the invasion.

Meanwhile, the Cuisinart name still spells magic for consumers, according to survey findings. Its vendor is trying new angles to awaken a dormant market.



Buying intention doubles when second-timers are counted

Is there any chance of your buying a food processor for the first time?
No
61%
33%
6%
Yes
Do you plan to buy another food processor in the next 12 months?
61%
12%
Yes
27%
No
▨ Already own food processor
☐ Do not currently own one

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The *CSA* research uncovered gold that is yet to be mined in this business. Most opportunities lie with experienced users—households that already own a food processor but are toying with the idea of buying another.

Fifteen per cent of all current owners said they would not rule out the possibility of a next-year purchase. Of that number, 2.4% said they would "definitely" buy one, nearly 4% said probably, while the remainder gave a "maybe."

What will lure these fence-sitters back to the stores? On average, current owners have had a food processor for 3.3 years. An impressive portion (27.5%) have owned it for one year or less—perhaps a testament to the impact of Oskar, which will celebrate the second anniversary of its national roll-out next February.

The largest concentration (43.4%) of current owners bought their product between two and four years ago. That predates the introduction of compacts.

Yet 39% of current owners interested in market re-entry would choose a compact size, indicating that some who have standard models want to trade down in size. Full-size still exercises more appeal for these experienced users, selected by slightly less than half, while 11% had no clear preference.

Consumers considering a first-time entrance into the market are even keener on compacts; 55% want a downsized unit.

Responses from current owners and potential purchasers reveal that ease of cleaning is the most important attribute desired. On a scale of 1 to 9, with 9 considered "essential," consumers gave ease of cleaning an 8.36 score.

Closely behind was ease of operation at 8.28. The ability to cut precise shapes or to produce a desired texture earned a 7.06 rating, while the variable number of functions the appliance has rated a 7.05. Having a bowl or food tube that can handle a large amount of food generated just a 6.24 preference.

Importance of features ratings*

	Current food processor owners	Nonowners with intention to buy
Ease of cleaning	[illegible]	[illegible]
Number of features	7.1	7.0
[illegible]	[illegible]	[illegible]

*Rated on a scale of 1 to 9; with 1 meaning "not important at all" and 9 meaning "essential."

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Current owners tend to use food processors for everyday needs rather than for company or special occasions. A majority of households that have the appliance (57.2%) say it is used mostly for day to day chores.

But that does not mean every single day. Nearly one-quarter use it less than once a month. Four in 10 though, use it at least once a week. When not in use, the processor is left on the counter by 49% of the households. Another 46% put it out of sight into a cabinet.

Oskar is a winner but not the only winner of the hit parade. Asked what brand they would prefer in a first or second food processor, nearly one-fifth of the total sample cited Sunbeam or Oskar. But close behind was the Cuisinart, with 16% of the votes.

Previous *CSA* MarkeTrends research has found an increasing number of consumers shopping department stores for food processors. That is where they are likely to see the Cuisinart in the spotlight. A black-based version of the DLC 10 Plus has recently joined the line, added to cash in on a trend toward black kitchen appliances.

Also-rans in the brand preference election were G.E., which brought in 9% of the votes though General Electric no longer makes small appliances, and Oster/Osterizer, though neither Oster's Kitchen Center nor its blender is a true food processor. Hamilton Beach and Moulinex/La Machine got a smattering of mentions.

A break-down reveals that Oskar made a stronger showing with novices than with experienced users (25% vs. 19%), while Cuisinart appealed about equally to both.

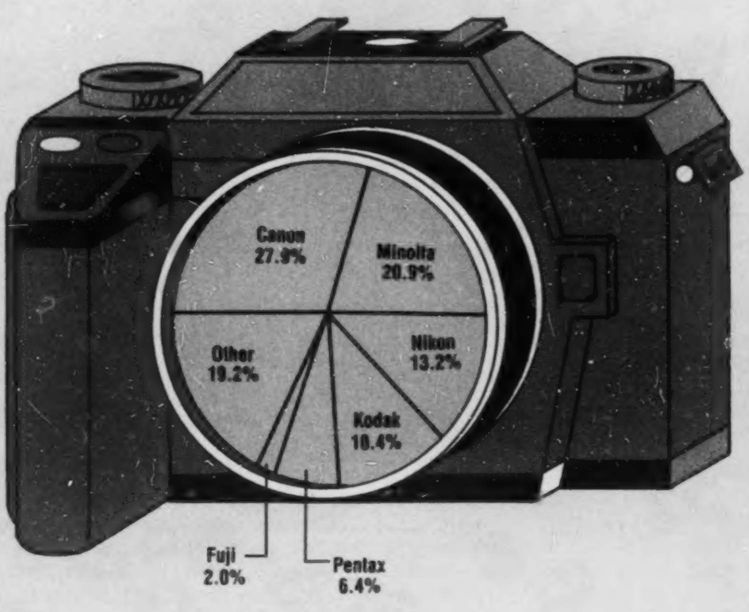
Interestingly, scorecards for the importance of various features were almost identical, whether they were marked by current or prospective owners. That indicates that nonowners with buying intentions are knowledgeable about the product.

The newcomers also seem to know price. Both novices and experts were most likely to cite the $100 to $149 range as the amount they expect to spend for a processor. But more first-timers than old hands named $70 to $99—a reflection of their interest in compacts. ☐

CUSTOMERS WANT FULLY-AUTOMATIC 35mm CAMERAS

Consumers say they expect their next 35mm camera will include such features as auto focus, auto advance, auto load and DX auto film speed setting.

35mm customers rank the top brands



Source: *Chain Store Age*/Leo J. Shapiro & Associates

If there were a 35mm camera which somehow could automatically arrange the kids around the birthday cake, snap a picture and then blow out the candles, chances are customers would buy it. According to the latest *Chain Store Age* MarkeTrends survey, automatic cameras—and the more automated features, the better—have become the standard for amateur 35mm photography.

Whether they are first time 35mm buyers or step up customers, and regardless of whether they expect to pay $100 or $300, consumers in the *CSA* MarkeTrends poll say they expect their next 35mm camera will include features such as auto focus, auto advance, auto load and DX auto film speed setting.

In the nationwide telephone poll, 76.3% say they have heard of automatic focusing, and 60.8% of that group also report that auto focus will be an essential feature on their next camera. This compares to the August 1984 survey where the number who were aware of automatic focusing was so small that it was considered statistically insignificant.

Nor is auto focus the only automated feature gaining customer recognition. In the poll, 73.7% report knowing about auto film advance, with 54.9% saying the feature is essential. Nearly two-thirds (64.6%) have heard of auto loading, with 49% rating it essential.

Of all the automated features studied, DX auto film speed setting is the least known. Still, almost 3 out of 5 in the poll (57.8%) report some knowledge of DX coding, and 54.2% of those who know about it consider auto film speed setting essential in a new camera.

Though DX coding is not familiar to an overwhelming majority of customers, among those who do know about it, the feature is of high importance. In absolute numbers, more potential customers say they want DX auto film speed setting than say they want a more familiar feature, auto loading.

Across the board: The trend toward automatic features holds equally, whether the customer is a first time 35mm buyer or a customer trading up to a more sophisticated camera. On the average, those in the survey who do not currently own a 35mm camera, but who say there is a chance they will buy one within the next year, report that they expect to pay a median $195. Current owners say they will pay $300.

Almost 1 in 4 of the nonowners (23.9%) think that they will spend under $125 for a 35mm camera, compared to 4.8% of current owners. A majority (51.9%) of current owners report that they expect to pay over $275. Of nonowners, 28% think they will spend that amount.

Perhaps the most interesting price expectations in the study, however, are those voiced by households which do not currently own a 35mm camera and which say they definitely will *not* buy one within the next year. On the average, this group thinks they need to spend $281 for a 35mm camera—30% more

CONSUMERS GO SHOPPING AND SAY, "WE DO WINDOWS

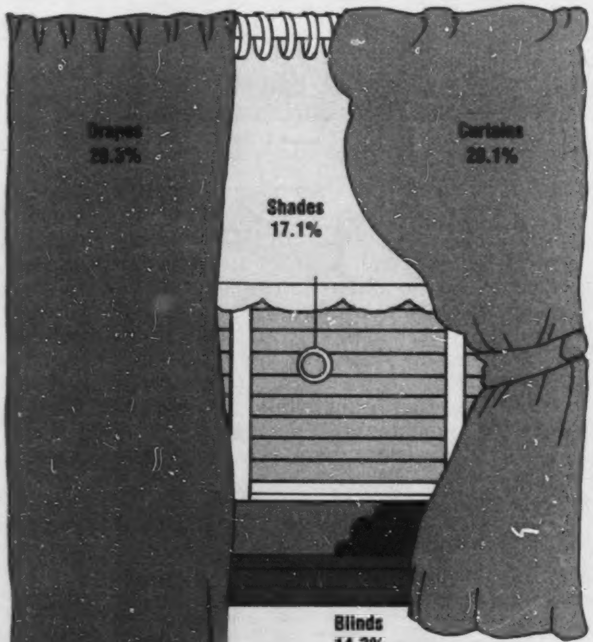
The upcoming 12 months will see consumers bustling to dress their windows. All types of treatments will share in the boom, with soft looks staging a comeback.

When it comes to covering windows, consumers want to have it all, both soft and hard treatments. A recent *Chain Store Age* MarkeTrends survey found few purists among the households planning to dress their windows over the next 12 months, which should be a hot time for this category.

All treatment types should share in the boom. In particular, the research suggests that soft looks may stage a comeback. Shut out by mini blinds for the past few years, curtains and drapes seem poised for a revival. Pinch-pleated drapes may play an important part.

Given a menu listing curtains, drapes, blinds and shades, a resounding 86% of consumers polled checked off two or more different products for their next-year shopping lists. Cross-tabulation shows that the curtain-shade combination is popular, with consumers wanting to buy both at once. A majority (56%) of households planning a purchase of curtains also intend to buy shades. The curtain and shade correlation indicates opportunities for retailers in cross-merchandising and color coordination.

The doubling up of window treatment does not stop there. Two-thirds of the households intending to buy blinds next year say they will hang them with drapes or curtains. And they are likely to pick up fresh supplies of both treatment types, rather than using already-owned products in the combos. One-third of all households polled list both curtains and blinds as items they expect to buy next year.



What window treatment(s) do you plan to buy in the next 12 months?*

*Multiple responses permitted
Source: *Chain Store Age*/ Leo J. Shapiro & Associates

Buying intention was also strong for a product that normally goes solo: drapes. Slightly more than one-fifth of the sample surveyed plan a purchase of drapes in the next 12 months. Curtains nearly matched that level of interest, followed by shades (17%) and blinds (14%).

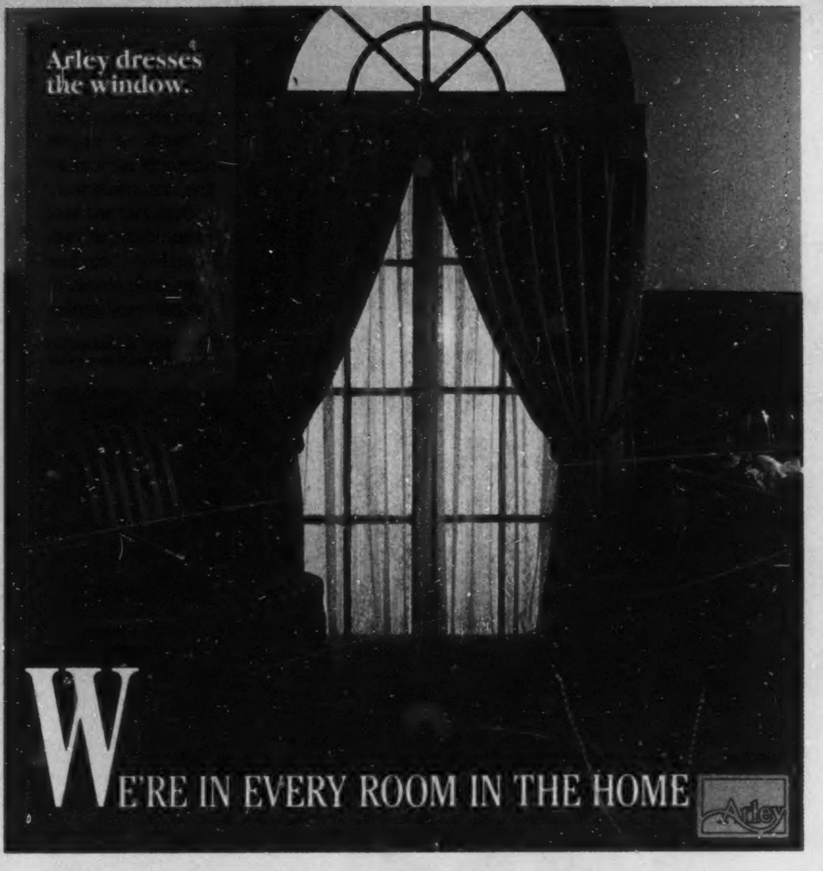
Those figures indicate that the mini blind craze may have peaked. About six months ago, one department store merchandiser speculated that consumers eventually may tire of the cold, architectural look of mini blinds. But, he added, "They're not tired of it yet."

Now the tide may be turning. Market saturation is a possible factor. Asked what window treatments they already own, 44% of the sample reported having blinds. Eliminating those who mean venetian blinds, rather than the newer hard treatments, the figure changes to 37% of the total. A breakdown of that portion shows 17% owning mini blinds, 7% owning verticals and 2%, micro blinds. An additional 2% did not specify type.

Though buying intention for blinds is healthy, it does not match the growth promised for curtains and drapes. Purchasing plans for curtains are greater than reported ownership level (19%). Similarly, interest in drapes nearly matches its present installed base (22%).

Other *CSA* MarkeTrends research has uncovered a strong desire among consumers to match their window treatments to bed linens. Fashion may be heating up the market.

As might be expected, shades can be expected to grow most slowly of all; 46% of households have bought window shades at one time, but only 17% plan to shop for them in the future. Interestingly, 3.3% of all shade owners say some of their



shades are pleated. That is a larger percentage than some pleated shade-watchers have suggested. Given such a level of product familiarity, new inroads for this category may be made more easily than expected.

The market for blinds is likely to go through some shifts. Not surprisingly, mini blinds will be the type chosen by 46% of the households with buying intentions. Verticals promise growth, selected by 20%. Even their manufacturers concede privately that the category is troublesome: verticals do not offer the light-adjustment features of minis, and slat twisting can be a problem. But consumers appear to want them.

Micro blinds trail the other types, chosen by 7% of prospective shoppers. Still, that is a slight increase from their current marketshare. Venetians have plunged to the point where only 14% of the sample will seek them.

Households interested in blinds are likely to choose them in vinyl. That is the choice of 49%, while 37% prefer aluminum. About 46% expect to buy a blind in a stock size, while 51% are braced for made-to-measure. Approximately 3% had no answer to this question.

Brand does not seem to matter much in blinds. The majority of prospective purchasers (55%) did not cite a brand. Among those who did, Levolor ranked first, chosen by slightly more than one-third. The private labels of Sears and Montgomery Ward followed far behind, named by 5% and 2% respectively. No other brand attained even 2% of the mentions.

Discounters and specialty stores should be the biggest beneficiaries of the interest in blinds. Each retail type can expect about one-fifth of next year's traffic, according to the research. About one-tenth of all shoppers plan to head for Sears, and the same goes for Penney, while Ward lags with 3%.

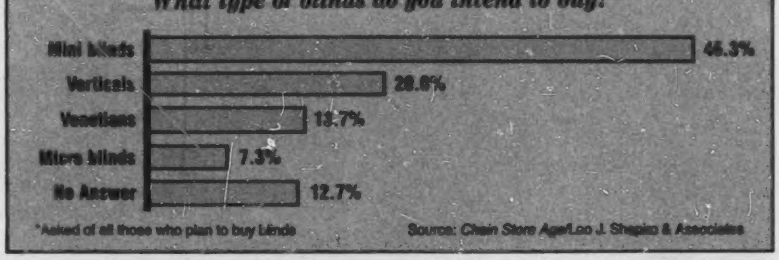
For some time, drapes have taken a back seat to the flurry over mini blinds and pole-top Priscilla curtains. Now the outlook for drapes appears rosy, and pinch-pleats are the consumer's choice. Nearly two-thirds of households planning drape purchases want pinch-pleats, compared with the one-fifth looking for rod pockets. A significant 16% had no answer to this question. Still, the interest in tailored or formal looks, rather than country fashions, seems

Interest in window treatments sharpest among very short- and very long-term dwellers

Years at current address	Percentage of total who plan purchases of three or more treatment types
Less than 1	17.0%
1	8.2
2	5.7
3	2.8
4	7.7
5-9	15.5
10-14	12.7
15-19	7.8
20 or more	22.8

Source: *Chain Store Age*/Leo J. Shapiro & Associates

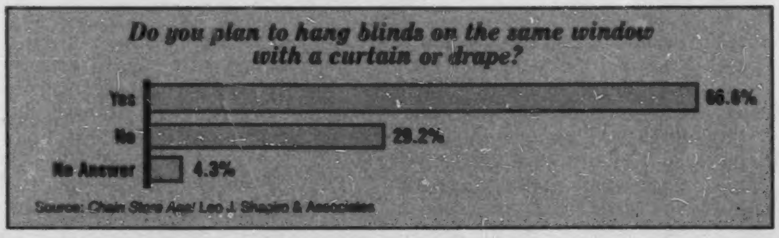
*What type of blinds do you intend to buy?**



*Asked of all those who plan to buy blinds

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Do you plan to hang blinds on the same window with a curtain or drape?

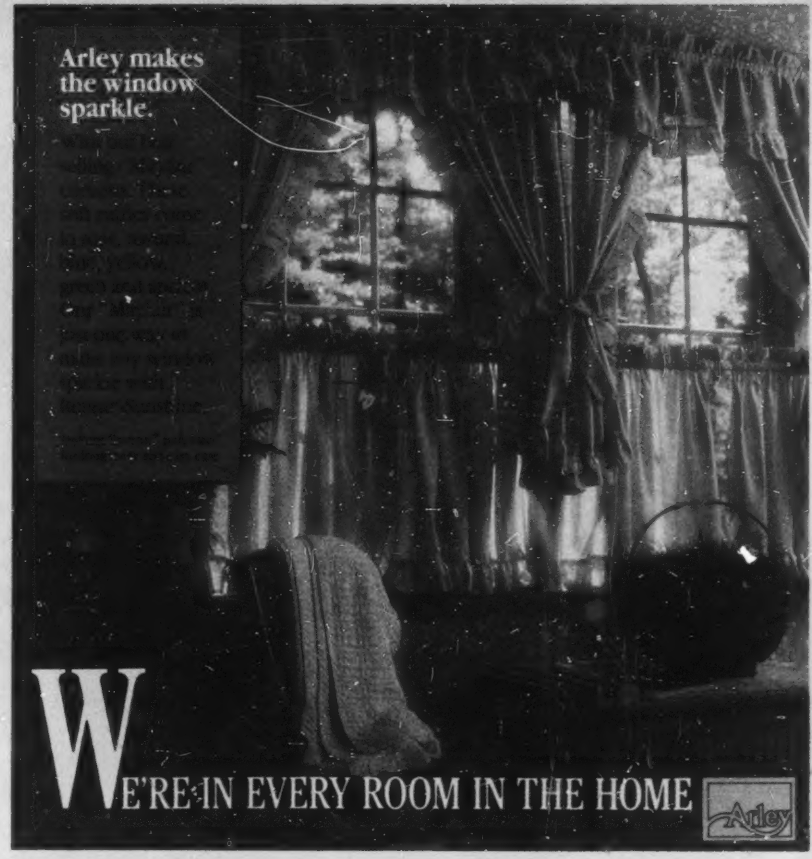


Source: *Chain Store Age*/ Leo J. Shapiro & Associates

What brand of blinds do you plan to buy?*

Levolor	33.8%
Sears	4.5%
Ward	2.1%
Kirsch	1.5%
Pella	1.4%
Other	1.4%
Not Answering	55.2%

*Asked of all those intending to buy blinds.
Source: *Chain Store Age*/Leo J. Shapiro & Associates


Arley makes the window sparkle.

WE'RE IN EVERY ROOM IN THE HOME

Arley

to predominate in drapes.

Hardware sales could benefit from the interest in pinch-pleats. Pleated drapes require traverse rods or similar hardware, a higher priced category than pocket rods.

The preference for machine-washable drapes is strong. That is a tall order for pinch-pleat products. Heavy fabrics, linings and weighted hems supply drapability but demand dry cleaning. Generally, only sheers and semi-sheers survive the trip through the laundry room. Yet a clear majority (56%) of drape shoppers call washability "very important," joined by an additional 25% rating it as "somewhat important."

The keen interest in window dressing may be tied to new housing construction. Intention to buy multiple product types was sharpest among new homesteaders. About 18% of the sample polled had lived at their current addresses for one year of less. They accounted for a disproportionate 25% of those planning to buy three or more different products.

Longer term dwellers, those who have been at their current addresses for 2 to 19 years, tended to focus on one product only. However, they may be planning to buy multiple units of that single type.

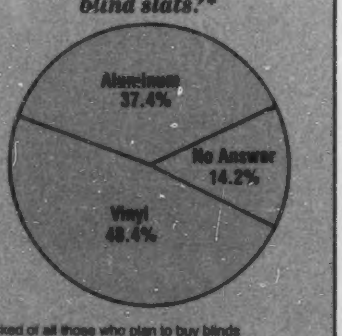
Once the 20-year residence mark is hit, interest in different window treatment types revives. That finding may reflect plans to redecorate an entire home.

Preference for window treatment type does not correlate closely with income or educational level. The only exception is curtains, which seem to appeal strongly to a slightly downscale market. However, they also evoke interest from other demographic groups.

Consumers whose education was completed at Grade 12 account for a disproportionate number of potential curtain shoppers. They compose 32.7% of all survey respondents, but 42.5% of the group planning to buy curtains. By contrast, they comprise 32.8% of those intending to shop for drapes—nearly an exact match with their participation in the sample.

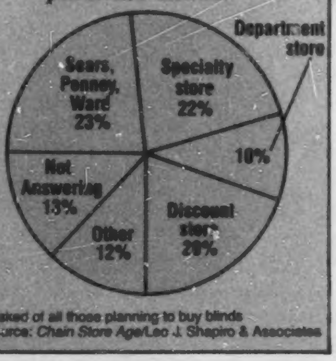
An income breakdown reveals that curtains interest a disproportionate number of households earning between $15,000 and $20,000. That income level represents 13.2% of total respondents, but 17.2% of the curtain market. The difference is small, but it is unequalled elsewhere in the demographic data. ☐

What material do you prefer for blind slats?*



*Asked of all those who plan to buy blinds
Source: *Chain Store Age*/ Leo J. Shapiro & Associates

Where do you plan to purchase blinds?*



*Asked of all those planning to buy blinds
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Curtains could be a slightly downscale product

	Percentage of sample polled	Percentage of those planning to buy curtains
High school graduate (no college)	32.7%	42.5%
Household income $15,000-$20,000	13.2	17.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Women's entry into the work force caused a decline in Tupperware, and Rubbermaid has revived the category by lending its influential name to food storage containers.

Rubbermaid emerges a 'clear' winner

Rubbermaid enjoys a 92% brand awareness, *almost as high as the 98% level for Tupperware.*

It is not the first time a big name helped revive a category. But in the case of food storage containers, the name had no relation to the fashion world. In fact, it came out of the sink.

"Rubbermaid got placement. They made the category more important to the retailer," says Harry Fishman, president of Eagle Affiliates, whose own Superseal containers are basking in the attention earned by Rubbermaid's Servin' Savers.

In addition to fueling interest, the major food storage player is upping the ante in technological development. Trying to keep pace with Rubbermaid's two-year-old clear-base containers, competitors are scurrying to produce containers with larger see-through areas.

Consumers like to see what is stored without lifting a lid. Microwavability has also become a factor.

But clear plastics cost more to produce than opaque ones, and microwavability nearly doubles the expense. Vendors are racing to develop lower-cost technology so that price points can be contained.

As one storage container maker points out, there is a big difference between asking a shopper to spend $2 for a container and tagging it at $4.

Yet consumers refuse the product without upgrades. Until about five years ago, the category was dormant at retail, recalls Mark Levie, buyer for the 105-unit Lechter's housewares specialty chain.

In those days, Tupperware was the only name associated with value (according to Fishman, the direct-sales brand still enjoys 98% consumer awareness, compared to Rubbermaid's 92% and Eagle's 68%). Products available over-the-counter were thin-walled and prone to warping.

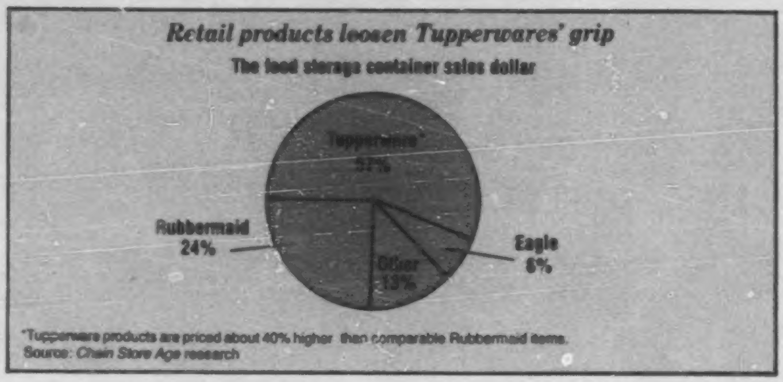
Rubbermaid's debut in the category took advantage of a Tupperware decline. Though 1985 sales for Dart & Kraft's Tupperware division were a respectable $762 million, earnings fell badly from levels of previous years. The entry of women into the workforce dealt a blow to Tupperware parties.

These days it is retailers who are throwing the parties. K mart senior buyer Tom Hilt reports that the chain's food storage sales increased 50% in the first half of '86 over the figure of '85.

Hilt acknowledges that part of the growth is due to additional sku's, now numbering 46 at K mart from Rubbermaid alone. But as items were added from Rubbermaid and Max Klein, some were dropped from Eagle. Servin' Savers are K mart's food storage stars, advertised in various groupings every month.

New Jersey-based Lechter's sources containers mainly from Rubbermaid and Republic Molding. Levie currently carries no products from Eagle, finding that they do not fit in with what his chain is trying to project: a quality image at discount prices.

"You don't want customers to think, "Well, I can get this in a su-


Retail products loosen Tupperwares' grip

The food storage container sales dollar

*Tupperware products are priced about 40% higher than comparable Rubbermaid items.
Source: *Chain Store Age research*

permarket," Levie explains. However, he notes that Eagle is improving its quality.

Company president Fishman promises that Eagle is about to introduce a "gorgeous" clear-base line, developed to counter Rubbermaid's products. Price points have not yet been set, but Fishman observes that Rubbermaid's clear-base items carry retail prices about 10% to 15% higher than those for its more opaque products.

The emergence of completely see-through bases has escalated the technology battle. Previously, some products were completely cloudy, made of polyethylene. Then vendors such as Eagle began offering a clear window in a portion of the base to allow consumers to view the contents.

At the same time, crystal clear bases, including some from Eagle with decorator-color lids, were on the market. But they were manufactured of styrene, also used in clothes storage containers. Styrene does not offer the same storage qualities as polypropylene, the relatively clear plastic that caused the recent excitement. Consumers can now have a see-through container that goes into the dishwasher and the freezer.

A broader assortment of sizes and shapes has also intensified consumer interest. Gone are the days when only Tupperware offered vessels custom-designed for pie wedges, salads, spaghetti and salads.

Most of the major players in food storage manufacturing now offer these specialized shapes. Not generally carried by supermarkets, specific-purpose containers allow the mass merchandiser to "look like you are seriously in the business," as Lechter's Levie puts it.

Special shape vessels do not turn as rapidly as general-purpose containers, but they command higher prices. At K mart, price points for Servin' Savers range from 86¢ for a one-cup cylinder to $6 for a cake saver. Hilt rates margins as "pretty good." He adds, "We promote, and that helps sales."

The K mart buyer considers assortment more important than microwavability, which sometimes raises price points beyond what his customer wants to pay.

However Anchor Hocking, a new entrant in the storage sweepstakes sees microwavability as the way to go. Anchor prefers that retailers carry its new storage containers in the microwave cookware section.

Anchor's Microwave Foodkeepers began shipping in August. Similar to the vendor's Freeze, Heat and Serve line, they promise to make the journey from freezer to microwave to table, but their channel seal gives them a better lid lock.

Retail price points for the Anchor products range from $1.29 to $2.99. In this case, microwavability means the Foodkeepers can be used in cooking mode—up to 400° as opposed to the usual reheating maximum of 180° for other food containers.

Microwave Foodkeepers have a clear lid but an opaque thermal-set polyester base. According to John Davenport, Anchor's marketing manager for microwave products, focus groups have said that a clear lid is clarity enough. "People store them differently, including in chest freezers," Davenport says.

Still, Davenport concedes that full clarity at low cost—and with an assurance it would not cloud up in the dishwasher—would give any vendor an edge. ☐

Endura has introduced a microwave popcorn popper that allows the use of regular popcorn and oil. The popper top doubles as a serving bowl, and the product is dishwasher safe. It comes in a choice of three colors and has a lifetime warranty. Suggested retail is $12.95. *(Endrua, 5400 W. Roosevelt Road, Chicago, Ill. 60650.)*

Proctor-Silex has released an electric heating pot with a multitemperature control. The pot holds up to 32 oz., is fashioned from plastic and aluminum and comes in white with beige and red accents. Packaged with a four-color design, the pot carries a suggested retail of $22.95. *(WearEver-Proctor Silex, 560 Sylvan Ave., Englewood Cliffs, N.J. 07632-3198.)*

R & R Industries has released a key holder with these features: Quick access to a desired key, embossed identification symbols that allow for easy individual key identification, a configuration that allows keys to be added or subtracted from the key holder easily, and eight separate key loops. The key holder carries a suggested retail of $1.95. *(R & R Industries, 9451 W. Ainslie Ave., Schiller Park, Ill. 60176.)*

While ball point pens remain the industry leaders, rolling point pens have seen tremendous growth in the past several years. Porous pens continue on a downward path.

Writing instruments get to the point

We're looking at an explosion in roller pens," says Mike Merwin, product manager for Bic Corp. Sales are racing ahead again this year and industry sources expect units to grow by 20% to approximately 283 million.

"The rolling point is not a new entry but in the past two or three years, we've seen tremendous growth," continues Merwin. Pentel introduced the category about 15 years ago with its Rolling Writer. Last year, unit sales for all roller pens went to 236.2 million from 196.9 million in '84 while manufacturers' dollar sales climbed 20.7% to $101.6 million, according to data compiled by the Writing Instrument Manufacturers Association Inc. (WIMA). This compares with all writing instruments which grew units by 2.6% to 3.5 billion, and dollar volume by 7.0% to $970.7 million, last year.

Porous pens or flair have been effected the most by the success of the roller pens. Unit sales declined 1.8% in '85 over '84, notes WIMA statistics.

Pentel's director of marketing Robert Seeman doesn't foresee an immediate slowdown in sales. In fact, he doesn't expect the category to plateau for at least two more years.

The growing acceptance of these pens in business as well as home use fuel sales. Vendors note that roller pens generally don't leak or have breakdown of points and are consistent writers. Moreover, the recent addition of metal tip rollers by Bic, Paper Mate and Pentel, keep the category fresh and exciting.

Currently, the bulk sales for specialists are at the $1.19 price point compared with bulk sales at $1.09 for discounters and variety stores. All merchants note excellent gross margins; specialists averaging 50% or better (on imports) and mass merchants citing 40%-plus. A highly developed roller pen business can account for as much as 15% of the total writing instrument sales, though it generally contributes 10% of sales, note retailers.

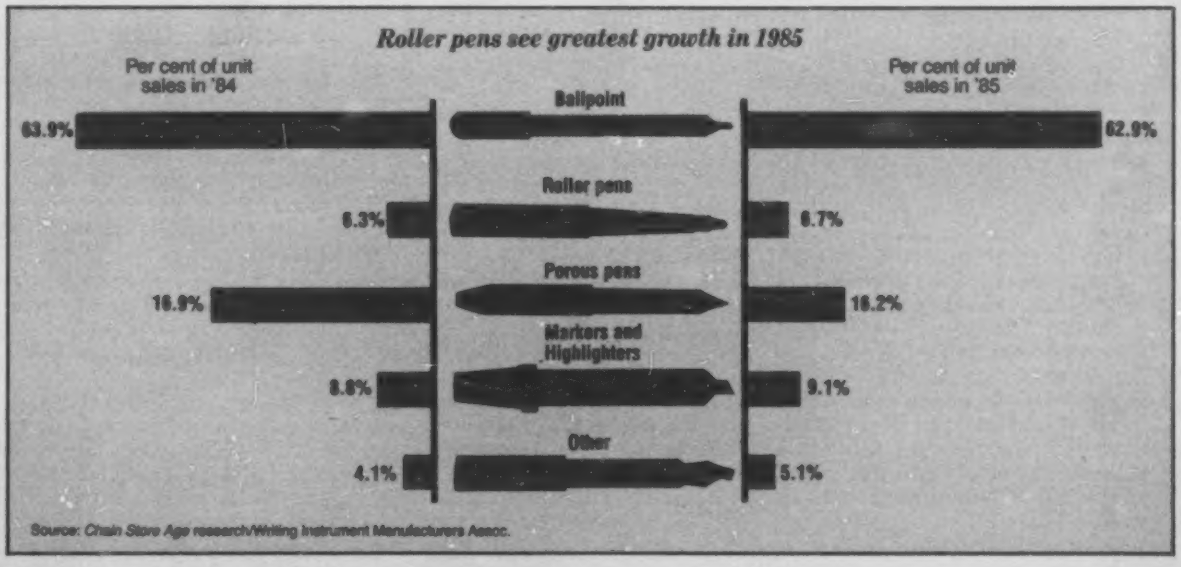
At Chaffin, buyer Doug Callihan recently increased his selection to five sku's, all disposables, to pump up his business. Unlike many specialists who have broadened their offerings in roller pens, Chaffin does not carry refillables. Callihan says their retail is too high and he doesn't want to tie-up valuable real estate and dollars in these slower-turning pens and their refills.

But despite roller pens having the best growth industrywide, the volume leader remains ballpoint pens. Sr. product manager for Paper Mate, a division of The Gillette Co., Scott Searle says, "Ballpoint pens continue to grow and dominate the market."

WIMA statistics show unit sales for ball points in '85 were 2.2 billion; an increase of 1.1% over '84 sales. Additionally, these pens accounted for more than three-fifths of all writing instruments sold in 1985. (see chart.)

According to WIMA, unit sales of erasables were down 10% to 100.3 million in '85. Merwin says, "They [erasables] can't hold up constantly. They're not quality writers."

Paper Mate's product manager for refillable goods Joe Coletti says that Paper Mate's erasables business is up substantially. He says these pens have found their niche with grade school children. ☐



Roller pens see greatest growth in 1985

Source: *Chain Store Age* research/Writing Instrument Manufacturers Assoc.

Second quarter profits up 23.3%

Better inventory control and a tighter grip on expenses were the key to earnings gains for most major retail companies in the second quarter, as customers continued to spend sparingly. Profits for the 24 retailers tracked by *Chain Store Age* moved ahead 23.3% in the quarter and are up 20.3% for the year's first half.

Still, profits in the first half of 1986 are compared to weak earnings performance in last year's first two quarters, and at many retail companies profits are actually running below 1984 levels. Inventories going into the second half, however, are reported in better shape than in either of the two previous years, suggesting that merchants will be able to avoid another fourth quarter markdown blitz this year.

Yet, the biggest surprise in the second quarter was Zayre's 64.9% earnings drop, falling from $16 million in 1985 to $5.6 million this year. In fact, the profit downturn was such a surprise that it spawned a shareholder suit alleging that the discounter had not disclosed its second quarter problems in a timely manner.

Problems for Zayre began early in the quarter with slow moving inventories of women's apparel and home electronics. The discounter went on a markdown binge which pumped up sales 35%, but which did not produce profits. Zayre says the quarter was only a "hiccup" and that it is now back on track.

Also reporting less than expected profits for the quarter was Associated Dry Goods, where earnings dropped 79.6% from $14.5 million last year to $3 million in 1986. Even accounting for a $3 million pretax nonrecurring gain from tax and pension adjustments included in last year's totals, ADG posted a 74% drop in the quarter. Associated cited poor results from its Northeast Caldor discount chain and from its J. W. Robinson's (California) department stores for the decline.

As Associated Dry Goods moves toward acquisition by May Department Stores, some industry analysts are predicting that third quarter results will prove equally poor, as May prepares itself for favorable earnings comparisons in 1987. May reported profits gaining 20.6% in the second quarter and increasing 20.8% for the first half.

Some of the quarter's best profit performances, however, were reserved for the Big 3 mass merchants. Sears rebounded from a virtual earnings collapse in the first quarter to record a 20.6% uptick in the second. For the first half, Merchandising Group profits still lag 2.8% behind last year's totals. Sears credited reduced pension expense and better margins for the gain.

Crosstown rival Montgomery Ward continued on the comeback trail with second quarter profits jumping from $3 million in 1985 to $14 million this year. For the first half, earnings increased from $1 million a year ago to $16 million in 1986.

J. C. Penney, citing both a reduction in SG&A expenses and an increase in gross margins, reported a 53.3% earnings gain for the second quarter and a 36.2% increase for the first half. In addition, Penney reported reduced advertising expenses and a drop in interest costs because of lower interest rates and benefits realized from debt restructuring.

K mart's second quarter profits jumped 58% on a sales increase of only 9.5%. Company officials credited the continuing success of its Jaclyn Smith apparel line and cost cutting for the gain. "Our increased earnings and sales were the result of carefully planned merchandising programs and promotions and favorable consumer response," said K mart chairman Bernard Fauber.

Selling, general and administrative expenses were 24% of sales for the second quarter of 1986, compared to 25% of sales for the same period last year. Fauber indicated that continuation of carefully controlled expense programs contributed to the decline in SG&A ratio.

Wal-Mart, meanwhile, continued to turn the economic woes of its Oil Patch and Farm Belt markets into profits. The Bentonville, Ark.-based discounter reported net income increasing 34% for the quarter and 37% for the first half.

Second quarter earnings rebound

	2nd quarter			1st half		
Chain	1985	1986	% change	1985	1986	% change
Sears	$137,800	$166,200	+ 20.6	$ 214,300	$ 208,300	− 2.8
Penney	30,030	46,000	+ 53.3	80,000	109,000	+ 36.2
Ward	3,000	14,000	+ 366.7	1,000	16,000	+1,500.0
Subtotal	170,830	226,200	+ 32.4	295,300	333,300	+ 12.9
K mart	74,800	118,400	+ 58.3	133,300	210,000	+ 57.5
Ames	6,953	6,267	− 9.9	11,693	12,052	+ 3.1
Jamesway	1,578	2,589	+ 64.1	2,547	3,455	+ 35.6
Roses	3,513	3,773	+ 7.4	7,269	10,288	+ 41.5
Wal-Mart	71,809	95,864	+ 33.5	123,499	169,255	+ 37.0
Woolworth	27,000	35,000	+ 29.6	33,000	48,000	+ 45.4
Zayre	15,990	5,610	− 64.9	31,182	22,306	− 28.5
Subtotal	201,643	267,503	+ 32.7	342,490	475,356	+ 38.8
Allied	30,996	17,721	− 42.8	48,213	38,403	− 20.4
Associated Dry Goods	14,528	2,961	− 79.6	23,908	8,407	− 64.8
Carter Hawley Hale	7,725	11,570	+ 49.8	19,290	26,140	+ 35.5
Dayton Hudson	40,000	36,700	− 8.2	73,400	75,300	+ 2.6
Federated	25,027	34,519	+ 37.9	75,051	81,868	+ 9.1
May Co.	37,800	45,600	+ 20.6	71,300	86,100	+ 20.8
Mercantile	12,884	14,213	+ 10.3	30,480	35,770	+ 17.4
Subtotal	168,960	163,284	− 3.4	341,642	351,988	+ 3.0
Oshman's	919	296	− 67.8	279	(1,615)	N.M.
Toys "R" Us	11,843	13,062	+ 10.3	24,022	23,402	− 2.6
Subtotal	12,762	13,358	+ 4.7	24,301	21,787	− 10.3
The Gap	418	8,394	+1,908.1	(699)	18,618	N.M.
The Limited	25,744	40,220	+ 56.2	47,090	71,622	+ 52.1
Edison Bros.	4,300	4,500	+ 4.6	8,900	9,200	+ 3.4
Subtotal	30,462	53,114	+ 74.4	55,291	99,440	+ 79.8
Clothes Time	3,828	4,457	+ 16.4	5,195	6,260	+ 20.5
Ross	1,431	(515)	N.M.	(2,881)	(6,812)	N.M.
Subtotal	5,259	3,942	− 25.0	2,314	(552)	N.M.
Total	$589,886	$727,401	+ 23.3	$1,061,338	$1,281,319	+ 20.7

'000 omitted N.M. = Not meaningful
( ) Indicates loss.
Source: *Chain Store Age* research.

Second month of double-digit sales

August scored the second consecutive month of double-digit sales gains for the nation's biggest merchants, as a back-to-school shopping spree pushed August volume ahead 11.3% for the 17 retailers monitored by *Chain Store Age*. For the seven months of the current fiscal year, sales are up 10.3% over 1985 totals.

"The back-to-school season, which took place in the latter part of the month, reflected a notable pickup in consumer demand," said Merrill Lynch retail analyst Jeffrey Feiner. Although Feiner noted that the sales results were too small to generalize from, he said that the month's good sales figures could portend an improving retail climate.

For Sears, the nation's largest retailer, August volume moved up 4.5% for the U.S. Merchandising Group. Chairman/ceo Edward Brennan said good increases were experienced in housing related merchandise and apparel, especially in back-to-school lines. Brennan noted that sales gains were strongest in the Midwest and West. Year-to-date totals are up 2.5%.

K mart, the nation's second largest retailer, reported August sales up 7.4% and year-to-date figures ahead 6.9%. In K mart stores open at least one year, volume was ahead 5.6% for the month and are up 5.4% for the seven-month period. K mart chairman Bernard Fauber, commenting on the August results, said, "Back-to-school merchandise is selling very well, and fall sales are expected to continue strong."

The back-to-school spending spree resulted in sales gains for women's suits, dresses and junior sportswear, according to J. C. Penney chairman William Howell. Also showing strong customer demand in soft lines were young men's jeans, slacks, sports shirts, as well as girls' fashion forward separates and boys' classic sportswear. Sales of back-to-school shoes and athletic footwear were also strong.

In the home furnishings area, Penney reported good results for upholstered furniture, tabletop, and bed and bath merchandise. Home electronics also scored sales gains, according to Howell. Volume for J. C. Penney stores and catalog operations were up 5.5% in August, with comparable-store results gaining 5.7%.

At Dayton Hudson, chairman/ceo Kenneth Macke reported strong interest in fall merchandise, with fashion the key for both apparel and hard lines. Macke said the corporation was especially pleased with Target's results in August. The discount store's 13% increase in total sales was its strongest showing of the year. Target's comparable-store sales gain of 7% marked the chain's largest monthly increase since February.

Mervyn's, however, continues to lag behind other Dayton Hudson operations. Though the division scored a 12% overall sales jump, same-store results were up a more modest 5%. Also lagging were Dayton Hudson's specialty merchandisers, which include B. Dalton booksellers and Lechmere. The specialists turned in a combined 18% sales increase, but only a 1% gain for comparable stores.

Chicago-based Carson Pirie Scott & Co., joined other retailers and announced monthly sales results for the first time in August. Sales for the 20 Carson Pirie Scott department stores, 300 County Seat specialty store and catalog operations totaled $75.5 million in August, a 14.9% gain from $65.8 million in 1985.

For the first seven months of the current fiscal year, Carson's retail group totals increased 8.2%.

B-T-S pushes August sales up 11.3%

		August sales*		Stores		7-mo. sales*		
Major chains	**% change**	**1986**	**1985**	**1986**	**1985**	**1986**	**1985**	**% change**
Sears[1,2]	+ 4.5	$2,062,000	$1,973,000	801	795	$14,178,000	$13,833,000	+ 2.5
Penney[1]	+ 5.5	1,053,000	998,000	1,877	1,984	6,738,000	6,350,000	+ 6.1
Ward[1,3]	+ 6.1	341,300	321,700	292	316	2,211,600	2,199,400	+ 0.6
Dayton Hudson	+ 12.3	742,500	661,100	1,220	1,175	4,800,000	4,340,000	+ 10.6
Federated[4]	+ 5.9	644,200	608,400	495	476	4,311,300	4,129,500	+ 4.4
May Dept. Stores	+ 18.3	435,200	367,900	2,289	1,976	2,840,000	2,520,000	+ 12.7
Associated Dry Goods	+ 5.6	324,900	307,600	N/A	N/A	2,332,000	2,191,000	+ 6.4
Allied Stores	+ 9.6	319,000	291,200	N/A	630	2,219,000	2,063,000	+ 7.6
Carter Hawley Hale	+ 5.8	283,200	267,700	306	278	2,040,900	1,945,000	+ 4.9
Mercantile	+ 11.6	154,543	138,536	82	80	1,026,977	950,257	+ 8.1
K mart[5]	+ 7.5	1,690,100	1,572,100	2,185	2,174	12,438,400	11,635,900	+ 6.9
Wal-Mart	+ 40.1	1,030,000	735,000	963	819	6,140,000	4,330,000	+ 41.8
Zayre	+ 34.4	430,075	320,108	1,040	934	2,715,064	2,047,667	+ 32.6
Bradlees	+ 10.6	136,000	123,000	157	153	915,000	745,000	+ 22.8
Tandy	+ 7.5	249,878	232,411	N/A	N/A	1,764,327	1,542,112	+ 14.4
Circuit City	+ 58.0	79,500	50,300	76	97	472,200	310,500	+ 52.1
Federated Group	+ 25.7	30,300	24,100	61	48	215,200	171,700	+ 25.3
Totals & Averages	+ 11.3	$10,005,696	$8,992,155	—	—	$67,357,968	$61,304,036	+ 10.3

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Domestic operations only. [3] Continuing operations only. [4] Excludes supermarket sales. [5] Store number for K mart stores only.

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